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Norbert KROÓ:*

KNOWLEDGE IS A DRIVING FORCE**

Let me first of all greet you with great respect on behalf of Hungarian science, the public body of the Hungarian Academy of Sciences and my colleagues on the occasion of the International Day of Intellectual Property!

The first thought is about what we are all experiencing, which is that in our days knowledge has become more valuable all around the world. This, however, does not only mean that information has become more valuable, for knowledge is arranged information, and information is obviously a part of knowledge, but it is not the same. If we have a look at modern products, approximately 80 percent of their value is intellectual knowledge and only 20 percent is given by raw materials and other, classical resources. Knowledge-based existence is part of our daily lives, and the result of this fact is that, from among the five driving forces of economy – energy, workforce, capital, knowledge and raw materials – it is knowledge that is becoming dominant. One who realizes this will succeed, and one who does not will inevitably be eliminated in the preliminary heats. It is clear that we would not like to belong to the latter group.

The second thought is about the European Union. The leaders of the Union recognized what venomous tongues call the “innovation paradox,” that is whereas research and in particular basic research stands on very strong feet in Europe, the application of these results fails to live up to expectations, or even to possibilities. In Europe the commercial balance of high technology products is becoming more and more negative, but before long the same will be true for non-high technology products. The leaders of the European Union decided to change this situation when announcing, about two years ago in Lisbon, the vision of a European Research Area, and more particularly, the objective that Europe should become the leading knowledge-based economy of the world by the year 2010. After the announcement I remarked to one of the leaders of the European Union that I could already recall such words from the sixties and the result was readily observable. So the statement is not enough in and of itself. There are many things to do in Europe and now we must find the answers to such challenges together with our co-members in the Union.

The vision of a European Research Area is based on a few key elements. Let me summarize them in five categories: cooperation, mobility, harmonization, science policy and research harmonization, and more money on research. These principles were laid down in the famous Barcelona decision, when the recommendation was approved that, by 2010, member states of the Union should spend three percent of their domestic revenues on R&D and two percent should preferably come from enterprises. There is also an efficient, reassuring means, which is the so-called sixth R&D shell. This program has a relatively modest budget of five

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** Address presented on the occasion of the International Day of Intellectual Property (April 25, 2003)

percent of the Union's budget and represents only about five percent of the R&D expenditure of the European Union. At all events it is salt in the soup, giving a particular taste, and it contributes indispensable knowledge to the European values.

The third thought is about the role of scientific knowledge, which is becoming more and more important within the knowledge basis. Therefore, when speaking about a knowledge-based economy, we must also speak about science having to become more valuable in such societies. It must become more valuable, among other things because, if we want to move on, we will need new technologies, which must be based on new ideas. And they can mostly be expected from research and, more particularly, to a great extent from basic research. But science is becoming more valuable also because the skills which humans can develop in science, such as the skills of modeling, problem solving, the efficient use of computer means, learning throughout one's life or language command, are skills that are natural in science but they must become more and more natural in other fields of life, too. It is not by accident that people who get engaged in science in their youth perform very well afterwards in other fields of life, too.

The fourth thought is much closer to the present. If knowledge is valuable, it must be protected. And the more valuable it is, the more it must be protected. This is, of course, true for each intellectual value. This is why it is a laudable endeavour that we celebrate the International Day of Intellectual Property every year, just like Mothers' Day, but even mothers are not important because we celebrate Mothers' Day. Likewise, the importance of intellectual property does not come from our celebrating this day, yet it is nice to pay special attention to it once a year.

Finally, the fifth thought: what do or what can we Hungarians give Europe? And I am raising this question because it is clear that we are endeavouring at partnership when acceding to the European Union, and the difference between partnership and aid is that both partners give something. So we must have a look at what we can give to a bigger and more developed community. I think we can say that we do have such values. We have such values in intellectual property itself, in the research results that not only our predecessors but also we ourselves achieved. I think with all that we can stand in front of the world without fear. But I also think that we can stand in front of the world without fear about how we protect our values (though there remain things to do in that regard). The Hungarian Patent Office, which works in an exemplary way, has done the bulk of that.

In the light of all the above, we can accede to the European Union with our heads up, for in both intellectual property protection and in research itself we are there already. I would like to finish this short flight of wit with the thought that it is not only us to gain with this accession, Europe gains with us, too. This marriage is not only a marriage of love but also a marriage of convenience. However, we must do a lot for this marriage to be good. We must do a lot in generating knowledge, too, but also in preserving it for ourselves and our descendants.

These were the thoughts which I wished to share with you on this festive occasion.

MAIN FEATURES OF THE AMENDED HUNGARIAN PATENT ACT

Hungary became a member of the European Patent Convention (EPC) on January 1, 2003. The main legal effect of this fact is that, following this date, a European patent can be claimed and granted with an effect that extends to the territory of the Republic of Hungary. Consequently, the designation of Hungary in a European patent application or through the PCT route can occur now at any time, but there is no retroactive effect. This means that in PCT applications having international filing dates before January 1, 2003, Hungarian rights can be obtained through the national route only. Thus, for the Euro-PCT-route the international filing date must be after December 31, 2002.

A further important consequence is that Hungary can exert within this Organization the rights due to the Member States and, resp., fulfil the duties concomitant with the membership in the field of cooperation, supply of information and financial duties.

In PCT applications designating or electing Hungary, effective from January 1, 2003, the time limit for entering the national phase has changed from 30 to 31 months. Regarding formalities, the Hungarian Patent Office requires that the translation of the specification, claims and abstract (and, if the claims were amended, the translation of both the original claims and the amended claims) and that the power of attorney and the assignment document (if not filed during the international phase) should be filed within the 31-month time limit; otherwise a single extension of three months can be obtained, so long as the extension fee of about EUR 200 is paid.

The adaptation of the Hungarian legal system to the EPC occurred in two steps. In view of the fact that the Convention directly settles duties for natural and legal persons, resp., the Parliament has made two decisions based on the procedural rules concerning international conventions (Law Decree No. 27 of 1982):

- on the one hand, the Parliament has made a decision concerning joining the valid text of the Convention and the text as revised at the Munich Conference in November 2000. The document of joining was deposited at the Government of the German Federal Republic on October 28, 2000. Consequently, the Republic of Hungary became a Member State of the Convention on January 1, 2003;

- on the other hand, the Parliament accepted the Law concerning the promulgation of the European Patent Convention (Law No. L of 2002) on December 3, 2002.

The Law empowered the minister of justice to promulgate the Implementing Regulation of the Convention and the minister of economy and transport to promulgate the Rules relating to Fees.

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Simultaneously with promulgating the Convention, the protocols on recognition, on privileges and immunities, on centralisation and on the interpretation of Article 69 of the Convention, forming organic parts of the Convention, also have been promulgated.

The Law promulgating the Convention and the promulgating Rules associated thereto became effective on the date of joining, January 1, 2003. As regards the relation of international law and the domestic law the Convention has been transformed into domestic law.

Beside the acts directed towards the promulgation of the Convention, from the viewpoint of domestic law, joining the Convention induced the creation of law in two directions.

On the one hand, so-called interface rules had to be created which are necessary for home operation of the European patent system and, on the other hand, in the interest of uniform legal treatment, certain rules of the Hungarian Patent Law and, resp., certain prescriptions of the rules of a decree of the minister of justice, which are attached to the patent law and relate to formal prescriptions, have been adapted to the Convention and to its general and institutional provisions.

The fitting rules and the correcting rules were created by amending the Hungarian Patent Law No. XXXIII of 1995 on the patent protection of inventions with the Law No. XXXIX of 2002 which was promulgated on November 12, 2002. Harmonising Hungarian law with that of the European Convention, these amendments also entered into force on January 1, 2003.

The main fitting rules can be summarized as follows:

a) Based on paragraph (1) of Article 75 of the Convention, a European patent application may also be filed at the Hungarian Patent Office, with the exception of European divisional applications [Sec. 84/C(1)].

b) Based on paragraph (2) of Article 75 of the Convention, it has been prescribed that a European patent application should be filed at the Hungarian Patent Office if the applicant is of Hungarian nationality or if his residence or principal place of business is in Hungary, except when in the European patent application the priority of a patent application is claimed which was filed with the Hungarian Patent Office at least two months earlier and the treatment of which as a State secret was not ordered by the President of the Hungarian Patent Office [Sec. 84/C(2)].

c) In view of paragraph (2) of Article 14 of the Convention, the European patent application may be filed at the Hungarian Patent Office in any of the official languages of the European Patent Office (EPO), that is in English, French or German, and even in Hungarian, provided that the application contains, in Hungarian or in any of the official languages of the EPO:

- at least an indication that a European patent is sought and
- indications identifying the applicant or permitting contacts with him [Sec. 84/C(3)].

d) The provision on the interpretation of the whole contents approach to the state of the art has been amended because, under the conditions as defined in the Law, the whole contents of European patent applications designating Hungary should be considered as belonging to the prior art [Secs.2(3) and 84/D(2)].

e) Article 67 of the Convention empowers the Member States to regulate the content and conditions of the provisional protection, which comes into effect by the publication of the

European patent application in a way different from that concerning the final patent protection. In view of this Article it has been prescribed that rights conferred by the publication of a European patent application shall be effective in Hungary when the Hungarian Patent Office has given official information in its Official Journal on the filing of the Hungarian translation of the claims. The content of this provisional protection is identical with that of the final protection ensured by Article 19 of the Patent Law (Sec. 84/E).

f) The amended Patent Law ensures the possibility of conversion of a European patent application into a national patent application, beside the obligatory case as regulated in Article 135, even when the patent application should be deemed, based on Article 90, as withdrawn since the applicant has failed to pay the filing and examination fees or has not filed the necessary translation in one of the official languages of EPO (Sec. 84/F).

g) A European patent validated in Hungary has the same effect as a patent granted by the Hungarian Patent Office. A European patent shall be regarded as granted when the mention of the grant is published in the European Patent Bulletin (Sec. 84/G).

h) The European patent becomes effective in Hungary provided that the proprietor of the patent supplies the Hungarian Patent Office with the Hungarian translation of the text of the European patent within three months from the date on which the mention of the grant is published in the European Patent Bulletin. In the event of failure to observe this provision, by virtue of this Law, the European patent shall be deemed to be void *ab initio* in Hungary [Sec. 84/H(1)].

i) If the fee for the publication and printing of the translation is not paid upon filing the translation, the Hungarian Patent Office invites the applicant to correct the defect within two months. In the event of failure to observe this provision, the Hungarian translation is deemed not to have been filed [Sec. 84/H(5)].

j) The Hungarian Patent Office gives information to the public on the filing of the Hungarian translation in its Official Journal [Sec. 84/H(7)].

k) The provisions of Article 84/H apply *mutatis mutandis* to European patents maintained as amended as a result of an opposition procedure.

l) In the framework of fitting rules it should be emphasized that Hungary has not joined the London Agreement relating to Article 65 of the Convention. Consequently, the amended Patent Law prescribes, as mentioned above under item h), that a European patent granted with effect extending to the territory of Hungary becomes valid in this territory only when the patentee files the Hungarian translation of the granted European patent. According to the Law, if the extent of the protection conferred by the Hungarian translation of the claims or of the specification of the European patent application or of the European patent is narrower than that conferred by the claims or by the specification in the language of the proceedings before the European Patent Office, the extent of protection is determined by the Hungarian translation. This provision does not apply in matters related to the revocation of the European patent (Sec. 84/J).

Within the framework of legal unification, Article 1 of the Patent Act has been amended to read as follows:

“Patents shall be granted for any inventions which are new, involve an inventive step and are susceptible of industrial application **in any field of technique.**” Consequently, the solutions having no technical character such as the business methods are not patentable.

The wording of Article 19, Section (6) of the Hungarian patent Act No. XXXIII of 1995 has been amended to include not only marketing approvals of medicines but generally all products where such official approvals are required. The amended text of this Section (6) reads as follows:

“The exclusive right of exploitation shall not extend to:

(a) acts done privately or not involved in an economic activity;

(b) acts done for experimental purposes relating to the subject matter of the invention, including experiments and tests necessary for marketing approval of the patented product or the product prepared by the patented process;

(c) preparation for individual cases, in a pharmacy, of a medicine in accordance with a medical prescription, or acts concerning the medicine so prepared.”

As regards biotechnological inventions, the amended Patent Act is fully harmonized with the rules and regulations of the E.U. Directive on the legal protection of biotechnological inventions and consequently also with Rules 23b to 23e of the EPC. Thus, every biotechnological invention that should be patentable in accordance with the EPC is also patentable in Hungary.

The only portion which is still open relates to Article 11/3 of the Directive, namely that the national laws and regulations that should determine the extent and the conditions of the so-called “farmers’ privilege”, which concerns breeding stock or other animal reproductive material. Provisions along these lines are presently missing from the Hungarian IP laws, and thus the extent of such privilege is uncertain at present.

According to Sec. 5/A(1) the biotechnological material is any material containing genetic information and capable of reproducing itself or being reproduced in a biological system.

A biological material which is isolated from its natural environment or produced by means of a technical process even if it previously occurred in nature can be qualified as invention [Sec. 5/A(2)].

The human body at the various stages of its formation and development and the simple discovery of one of its elements, including the sequence or partial sequence of a gene, cannot constitute patentable inventions [Sec. 5/A(3)].

An element isolated from the human body or otherwise produced by means of a technical process, including the sequence or partial sequence of a gene, may constitute a patentable invention, even if the structure of an element is identical to that of a natural element [Sec. 5/A(4)].

Patents shall not be granted with respect to biotechnological inventions which concern processes for cloning human beings; processes for modifying the germ line genetic identity of human beings; uses of human embryos for industrial or commercial purposes; processes for modifying the genetic identity of animals which are likely to cause them suffering without any

substantial medical benefit to men or animal, and animals resulting from these processes [Sec. 6(3)].

Plants or animals and processes for preparing plants or animals, which are essentially biological, cannot be patented [Sec. 6(4)].

Inventions relating to plants or animals can be patented if the technical feasibility of the invention is not confined to a particular plant or animal variety [Sec. 6(5)].

When Hungary joins the European Union in 2004, the following regulations of the law will become effective:

- the legal instrument of supplementary protection, that is the so-called SPC, which prolongs the patent term to compensate for the time that elapsed during regulatory approval, will be available;

- the current national exhaustion of rights will become regional, that is E.U.-wide.

The recent amendments exclude patent protection for plants, but an independent plant variety protection has been established within the Patent Act. The Law LI of 2002 concerning the text revised at Geneva on March 19, 1991 of the International Convention for the Protection of New Plant Varieties (UPOV) was accepted by the Parliament on December 3, 2002 and published in the Hungarian Gazette on December 7, 2002. The protection of the plant varieties is regulated in Chapter XIII of the Law XXXIX wherein Article 105 gives definition for the plant variety as follows:

“Plant variety means any plant grouping within a single botanical taxon of the lowest rank, which grouping, irrespective of whether the conditions for the grant of a plant variety right are fully met, can be

- defined by the expression of the characteristics that results from a given genotype or combination of genotypes,
- distinguished from any other plant grouping by the expression of at least one of the said characteristics, and
- considered as a unit with regard to its suitability for being propagated unchanged.”

According to Article 106 a plant variety is given plant-protection if it is distinct, uniform, stable and new.

The variety can be deemed to be distinct if it clearly differs by its characteristics expressed from the given genotype or combination of genotypes from any other variety whose existence is commonly known at the date of priority.

The variety is deemed to be new if it has not been offered for sale or marketed with the consent of the breeder or his successor in title a) in the country earlier than one year before the date of priority or b) abroad earlier than 6 years in the case of trees and vines, or earlier than four years in the case of other plants.

A new official fee schedule has been introduced, wherein the most substantial changes have taken place in the annual maintenance fees. Previously, the fees were increased in every fourth year but now the increase takes place in every other year. The fees for all kinds of *inter partes* proceedings started before the Patent Office such as nullity and non-infringement

proceedings have been increased by about 30 per cent. After a long period of time, the Court fees have also been increased.

Summarizing it can be stated that the amended Hungarian Patent Act meets the challenges of our times and is harmonized in all respects with the EPC.

BAD FAITH IN TRADEMARK LAW

1. Introduction

In the Hungarian Trademark Act of 1997 (hereinafter “TA”)¹ there are absolute and relative grounds for the exclusion of marks from trademark protection. One of the absolute grounds is when the application for registration of the mark was made in *bad faith* [Art. 3(1)(c) of TA].

There was no such ground either in the Trademark Act of 1969, in effect from July 1, 1970 to July 1, 1997, or in the previous Trademark Act of 1890. The concept of a bad faith application as a ground for exclusion is a *novelty* in Hungarian trademark law also because, while the other absolute and relative grounds are of an *objective* character, bad faith is a *subjective* criterion.

The trademark law does not provide any definition for the term “bad faith”. Therefore, the aim of this paper is to examine what may be deemed bad faith from the point of view of the trademark law.

2. The origin of bad faith as a ground for exclusion

The First Council Directive 89/140/EEC of December 21, 1988 to Approximate the Laws of the Member States Relating to Trade Marks (hereinafter “Trademark Directive”) makes it possible – as an option – for Member States to include in their own national trademark law applying for a trademark in bad faith (in French: “mauvaise foi”, in German: “bösgläubig”) as a ground for refusal or invalidity [Art. 3(2)(d)]. The Hungarian legislator has made use of this possibility.

The Community trademark law enacted by Council Regulation (EC) 40/94 of December 20, 1993 has adopted sanctions against bad faith applications as well. A bad-faith application, however, does not serve as a ground for refusal or opposition; it can only invalidate an already registered community trademark [Art. 51(1)(b)].

The concept of “bad faith” has long been known in international trademark law. The text of the Paris Convention for the Protection of Industrial Property, as revised at the Hague in 1925,² contains an article on “well-known” marks providing that, if a trademark which can be confused with a prior well-known mark is registered, a period of at least 5 years (originally only 3 years) must be ensured by the countries of the Union to oppose such registration. However, if the later trademark has been registered upon an application submitted in bad faith, the countries may not limit the period for opposition of such trademark [Art. 6bis(3)].

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¹ Act No. XI of 1997 on the Protection of Trademarks and Geographical Indications. English translation: Industrial Property and Copyright, February 1998, Industrial Property Laws and Treaties, Hungary - Text 3-001 and Text 5-002.

² Promulgated in Hungary by Act No. XVIII of 1929.

According to the commentary of *Bodenhausen*,³ bad faith, as a rule, exists when the trademark proprietor knew of the well-known mark and presumably intended to profit from the possible confusion between his trademark and the well-known mark.

3. Meanings of the term “bad faith”

The expression “bad faith” has a meaning in the jurisprudence which is different from that in everyday language. Colloquially, a person is said to have bad faith who thinks or alleges ill of someone, without sufficient grounds.⁴ In legal terminology, a person is deemed to have bad faith who knows the real situation but nevertheless acts deceitfully, with fraudulent intentions, as if he/she did not know about it.

In the world of law, the terms “bad faith” and “good faith” are expressions looking back on a long past. The meaning takes its origin from the expression “bona fides” known from Roman law.⁵ The original sacral meaning of the word “fides” is fidelity, mainly to some undertaken task or commission. The personification of this virtue was goddess *Fides*. Later, the Latin word “fides” incorporated also the meaning “faith”.

“Bona fides”, primarily in contractual relationships, was the general measure of conduct of honesty. It meant the performance of obligations in good faith and forbearance from the violation of someone else’s lawful interests. In contrast, “mala fides” meant fraudulence and bad faith.⁶

In addition, in the Roman law, a second meaning of “bona fides” came into being which meant the subjective good faith in legal relationships *in rem*. E.g. the possessor who knows that he/she is in possession without proper title acts in bad faith, or the buyer who is aware of the fact that the seller is not the owner.

The terms “fides” and “bona fides” continued to survive in the European laws formulated during the Middle Ages. The Latin expression is still in use in the English law terminology, e.g. “*bona fide* intention to use” in the trademark law.

4. Bad faith in Hungarian civil law

The Civil Code Bill introduced in 1928 stated as a principle that, in the exercise of rights and performance of obligations, one should “act in good faith and with honest conduct”. According to the motivation to the Bill, “in transactions based on good faith and honesty, it is natural that the good faith of our fellow men, if it bears legal implications, must be assumed; that is, bad faith has to be proven”.⁷

The present Civil Code⁸ mentions good faith among the general provisions by stating that “in the course of the exercise of rights and performance of obligations the parties are obliged to act in

³ G.H.C. Bodenhausen: Guide to the Application of the Paris Convention for the Protection of Industrial Property. BIRPI, Geneva, 1968, p. 93.

⁴ This meaning is expressed in the motto of the Order of the Garter: “Hony soit qui mal y pense”.

⁵ A. Földi: The principle of good faith and honesty. A historical review from Roman law till now (in Hungarian). Publicationes Instituti Iuris Romani Budapestinensis, Fasc. IX, Faculty of Law, Eötvös Loránd University, Budapest, 2001, pp. 9-30.

⁶ “Fides bona contraria est fraudi et dolo” (Paulus)

⁷ Civil Code of Hungary. Bill presented to the Parliament on March 1, 1928 by the Royal Minister of Justice (in Hungarian). Budapest, 1928; Ministerial Motivation to the Bill on the Civil Code of Hungary (in Hungarian). Budapest, 1929, p. 15.

⁸ Act No. IV of 1959 on the Civil Code as amended.

accordance with the requirements of good faith and honest conduct, in mutual cooperation” [Art. 4(1)].

In addition to the article referred to above, the concepts of good faith and bad faith are used in several provisions of the contract law.⁹ Following the Roman law, subjective good faith¹⁰ is an essential criterion also in a number of articles of the law *in rem*.¹¹

5. Bad faith in Hungarian industrial property law

In the Trademark Act of 1997, bad faith is also mentioned with respect to both acquiescence and trademark register.

As to acquiescence, which is formulated in accordance with the Trademark Directive, in the case of a bad-faith application of a later trademark, the acquiescence of the proprietor of the earlier trademark may not be alluded [Art. 17(3) and Art. 33(2)(b) of TA]. Again, the *mala fide* application for registration is supposed to have the same meaning as in the respective absolute ground for exclusion. As a matter of fact, the result of the acquiescence is the strengthening of the position of the subsequent trademark with the lapse of time, at the expense of the earlier trademark. This does not take place if the subsequent trademark registration was applied for in bad faith, i.e. the cancellation of such trademark may be requested by the proprietor of the earlier trademark without any time limitations.

Any right in relation to a registered trademark may be invoked against a *bona fide* third party acquiring for value received only if the right has been recorded in the trademark register [Art. 47(3) of TA]. In this respect, a buyer is deemed not to be acting in good faith if he/she is aware of the fact that the trademark register does not show the real owner of the trademark, because the trademark has been sold to someone else and in spite of this knowledge he/she concludes a contract of transfer and lets his/her ownership be recorded in the trademark register. Since this person acted in bad faith, he/she has failed to obtain the trademark right, and the first buyer may claim in a civil lawsuit the cancellation of the ownership of the second buyer from the register and may apply for the recordal of his/her ownership. If, however, the third party was a *bona fide* buyer and only the apparent seller was acting in bad faith, the first buyer – as he/she failed to have its ownership registered – will lose the trademark and may claim only compensation for damages from the original owner who sold the trademark twice.

There are corresponding provisions in the Patent Act of 1995 and in the Industrial Design Act of 2001.

6. Purpose of introduction of bad faith in trademark law

It is worth considering what the aim of the legislature could have been with the introduction of this new ground. It seems to be rather obvious that a new provision is set up by the legislature only if the existing provisions are unable to govern certain conditions.

⁹ Articles 6, 200(2), 203, 209/B(1), 221, 223(2) and 361 of the Civil Code.

¹⁰ Concerning terms “good faith” and “bad faith” in Hungarian civil material and procedural law, public administration law and patent law, a more detailed treatise can be found in I. Gödölle: Bad Faith in Trademark Law (in Hungarian), MIE Közleményei, No. 43., 2002, pp. 89-122.

¹¹ Articles 109, 110, 118(1), 120(1), 125(3), 137(4), 194(2) and 262(6) of the Civil Code.

It cannot be assumed that the purpose of the new ground for exclusion was meant to abate the conditions which designate the borders of the application of existing grounds for exclusion, as these have been established on the basis of due consideration of public and private interests and under the principles of justice and equity.

One principle of trademark law is that the trademark right is due to the person first having it registered. Sanctioning of bad faith is not supposed to help latecomers benefit from improper “overtaking”.

Previous use as a ground for exclusion can be enforced only if the use is to the extent and of the character by which the previous user would have been entitled to prohibit the use of the mark registration of which has been applied for, pursuant to some legal regulation [Art. 5(2)(a) of TA]. The bad-faith application, as a ground for exclusion, is certainly not the vehicle to annul this barrier and to make any previous use, no matter in what limited extent, stronger than the registration. The person who fails to arrange registration shall bear the consequences of that failure.

Similarly, as an exceptional breakthrough in the principle of specialization in trademark law, the exclusion in respect of well-known marks is enforced with limitations in the case of use of the mark for different goods and services [Art. 4(1)(c) of TA]. If the conditions of competition law specified for such cases are not complied with, it would be improper if, under the pretext of a bad-faith application, the otherwise well-known mark would have a wider range of exclusion than a registration.

Furthermore, the interpretation of the bad-faith application in a broad sense would lead to the situation that the Hungarian trademark registration could become unnecessary for foreign trademark proprietors, as they could allude in any given case that the Hungarian registration application for their trademarks used or being famous abroad has been done in bad faith irrespective whether they could prevail in showing that the subsequent applicant was aware of the foreign trademark or applied it in bad faith.

Interpretation in this broad sense would also be improper because an outstanding legal policy aim of trademark registration is to inform the general public. On the basis of the trademark register, anybody may obtain knowledge in respect of what trademarks for what kind of goods and services should be observed. In contrast, the rights based on mere use without registration, or the rights obtained only abroad, are difficult to monitor. Therefore, it is in the interest of the public that such rights could be enforced only in exceptional cases against trademarks duly registered. It must be emphasized that this is not a conflict between domestic and foreign interests, as a larger part of the trademarks registered in or for Hungary is in the name of foreign proprietors.

It is deemed that the purpose of the introduction of the bad-faith application as a ground for exclusion has been to render possible to sanction those *striking cases* where the priority of the trademark application is undisputed and no grounds for exclusion prevail; however, the applicant deliberately acted deceitfully, with fraudulent intention upon the application that would justify the refusal of the trademark protection in accordance with accepted principles of the civil law.

7. Characteristic features of bad faith in trademark law

7.1 Subjective character

This ground for exclusion cannot exist in the subject matter of the trademark registration but instead in the acts of the person applying for registration. Pursuant to the provisions of the Trademark Act of 1997, anybody can obtain trademark protection. If any of the objective grounds for exclusion prevails, the application must be refused irrespective of whether the applicant was a king or just a beggar. The eyes of the weighing *Iustitia* are blindfolded.

If, however, no objective grounds for exclusion exist, it depends on the good or bad faith of the applicant whether the mark will be registered. In respect of the personal character of this ground, there is some similarity to the previous law. Namely, according to the Trademark Act of 1969, only a person who was entitled to pursue economic activities could obtain trademark protection. In the past the objective economic status of the applicant was determinative, whereas at present the subjective state of consciousness of the applicant is the decisive factor.

7.2 “Ultima ratio”

The question is whether, due to the lack of a statutory definition, bad-faith application can be regarded as a general clause. By comparison, the general clause of Article 2 of Act No. LVII of 1996 on the Prohibition of Unfair Market Practices and of Restrictions of Competition (hereinafter “Unfair Competition Act”) prohibits unfair market conducts in general.

By the realization of any specific unfair act as determined in Articles 3 to 7 of the Unfair Competition Act, for example the violation of a business secret or slavish imitation, Article 2 inevitably applies. To avoid unnecessary parallelism in the regulations, the Hungarian case law permits the use of the general clause or any reference thereto only if there is a factor in the case which goes beyond the range of the specific prohibitions. Consequently, the general clause may be employed only subsidiarily.¹²

The relationship between the bad-faith application as a ground for exclusion and other grounds of exclusion is different from the one mentioned above. The other grounds of exclusions are of objective character and may exist without bad faith. And the vice-versa is also true, as will be shown below. An application can be submitted in bad faith without the realization of any of the objective grounds for exclusion. In this case, bad faith is totally of the “*ultima ratio*” character.

It is up to the future case law to determine the appropriate manner to reach judgments in cases where, in addition to bad-faith application, some other ground or grounds of exclusion are alluded. From the perspective of the economic efficiency of the proceedings, it is thought to be expedient to take into account the bad-faith ground only after any other ground. As a rule, it is easier to ascertain the existence of some objective ground, whereas the examination of bad faith

¹² Decision of the Supreme Court, No. Kf.II.25.216/1993, Bírósági Határozatok (Court Decisions), 1993, Case No. 702.

may require more complex evidences, especially when there was no previous relationship between the applicant and the opponent party.

7.3 Public interest and lastingness

The bad faith application as a ground for exclusion from trademark protection has been placed among the absolute grounds for exclusion by the legislature. On the one hand, it can be concluded that anybody may allude to it ("*actio popularis*") both by submission of an observation and in a request for cancellation after registration, contrary to the relative grounds for exclusion, which may be referred to only by the proprietor of the prior right [Art. 58(1), Art. 72(1) and Art. 72(2) of TA].

On the other hand, bad-faith application as a ground for exclusion seems to be irreparable whereas the relative grounds for exclusion may be waived by a letter of consent [Art. 7 of TA].

Pursuant to the provisions on acquiescence, a trademark registration applied for in bad faith may be contested without time limit [Art. 17(3) of TA]. It seems that this ground of exclusion may be alleged even if the applicant or the proprietor is a person other than the person who originally submitted the trademark application in bad faith.

7.4 Time

It follows from the wording of the provision that bad faith should prevail at the time of filing the trademark application. It is feasible that there are cases where the applicant had not been acting in bad faith upon application; however, later he/she proceeded in bad faith, either during application proceedings or in the course of enforcement. In our opinion the ground of exclusion is not applicable to such cases ("*dolus subsequens*") as the application may not become *mala fide* retrospectively.

The reverse case may also happen when the applicant acting in bad faith upon application has become a *bona fide* person later. It may also happen that the person, against whom the *mala fide* intention existed, gives a letter of consent subsequently or reaches an agreement with the then bad-faith applicant. In the absence of statutory provisions, it is questionable whether or not such act can "cure" a bad-faith application.

If the trademark application or registration has been assigned, in our opinion the good or bad faith of the assignee may not be taken into consideration; it is only the original applicant whose intention may be subjected to examination.

7.5 Personal scope

Bad faith should subsist in the person of the applicant. If the applicant is a private individual, his/her good or bad faith shall be taken into consideration. In case of a legal person, the natural person authorized to bring decisions or take measures shall be subject to examination of good or bad faith.

It is permissible in the Hungarian trademark law that a trademark application be filed by several persons [Art. 9(3) of TA]. In this case, the question is whether it is necessary that all

parties to the application should be acting in bad faith in order to establish *mala fide* application or it is sufficient to have any of them acting in bad faith.

Pursuant to the provisions concerning joint applicants, the procedural actions of one of the co-applicants, except for settlement, acknowledgement and waiver, affect also the co-applicant who missed some action, date or deadline provided that the co-applicant failed subsequently to rectify the omission [Art. 21(5) and Art. 21(8) of TA]. The submission of the application is undoubtedly an action aiming at the enforcement of the claim for trademark protection. It appears, however, that due to the formal requirement concerning an application that each co-applicant must sign the application form,¹³ the action of one of the co-applicants will not provide a “substitution” for the missing signature of the other co-applicants; therefore, the filing of the application by one of the co-applicants as a procedural action will not affect the other co-applicants.

In view of the above, it appears that the Trademark Act of 1997 does not furnish unambiguous guidance in the case of joint applicants. It is up to the future case law to work out whether it is fair to impose the severe sanction of invalidity on a *bona fide* co-applicant and, if so, under what conditions.

7.6 The role of applicant’s representative

What is the situation when the trademark application is submitted by a legal representative? May the possible bad faith of the representative be reckoned at the expense of the applicant or the trademark proprietor? It is deemed that the eventual bad faith of the representative upon the submission of the application, provided that the applicant had no knowledge of it, may not be taken into consideration. We are not aware of any case where this issue was raised.

It must be pointed out that, due to the confidentiality of the professional representative, no factual circumstances known to him in connection with the case may be disclosed which may damage his/her client. In our opinion, it is applicable also in the case where the representative has become aware of the fact that his/her client was not acting entirely in good faith. The representative, of course, is not obliged to continue to represent his/her client acting in bad faith, but his/her professional obligation to confidentiality shall be in effect during his/her whole life, irrespective of the termination of the representation.¹⁴

7.7 Bad faith and the list of goods

It is believed that the bad-faith application belongs to those absolute grounds for exclusion which, in general, are not independent from the list of goods. It is feasible that a trademark application for a certain item in the list of goods has proven to be in bad faith, but no *mala fide* can be established in respect of a totally different item in the same list. In such a case, bad faith may result in a partial invalidity.

¹³ Decree No. 19/1997 (VII.1.) IM on Detailed Formality Requirements of Applications for Trademarks and Geographical Indications, Art. 2(1)(h).

¹⁴ Act No. XXXII of 1995 on Patent Attorneys, Art. 15(1); Act. No. XI of 1998 on Advocates, Art. 8(1).

7.8 Content of bad faith

In the case law concerning bad-faith application, the interpretation of the term “bad faith” plays a key role. The trademark law offers no definition of what should be deemed to be a bad faith application, and there is no presumption in respect of a *bona fide* or *mala fide* conduct. The ministerial motivation to the Bill¹⁵ concerning the Trademark Act of 1997 does not give any guidance either. It merely states that the adaptation of the relevant optional provision of the Directive “is justified for reasons of due process of law” and that “it is supported by substantial arguments of morality and law”. The legislature thereby entrusted the judiciary to unfold the content of the bad-faith application.

The cited second phrase of the explanation obviously refers to the legal and moral arguments which serve to justify similar provisions in the civil law. Nevertheless, it seems to be difficult to agree with the first phrase cited. Statutory provisions of this type tend to counteract the due process of law, due to the openness of the provision, the content of which is formulated by the case law.

In the Roman law, in addition to “*stricti iuris actio*” the *praetor* introduced “*bonae fidei actio*” for reasons of justice and equity rather than for the sake of the due process of law. In a balanced legal system, provisions of the above type are necessary; it is only fair, however, that the *legislature* should use them *with austerity* and the *judiciary* should treat them *with caution*. Otherwise the law will become unpredictable, which is a greater evil than issuing a lawful but “unjust” decision occasionally.

8. Types of bad faith application

This chapter attempts to describe typical cases of bad-faith applications and to present Hungarian, European and Austrian case law for each type. Concerning the German, French and English case law, reference is made to the paper of *Vida*.¹⁶ In respect of bad faith in trademark law, the existing provisions of some European countries and the relevant case law are described in a report of the International Trademark Association (INTA) and in a study entitled “Bad Faith Case Study” prepared by the Office for Harmonization in the Internal Market (hereinafter “OHIM”).¹⁷

In addition to the Hungarian case law, the practice of the OHIM will be reviewed first because, on the one hand, the protection of community trademark registrations will automatically extend to Hungary after the accession of Hungary to the European Union, and, on the other hand, decisions taken by the OHIM in invalidation cases can be appealed to the European Court of Justice residing in Luxemburg. This Court is the supreme forum for interpretation of the

¹⁵ Ministerial Motivation to the Bill on the Protection of Trademarks and Geographical Indications (in Hungarian). Szabadalmi Közlöny és Védjegyértesítő, Special Issue, April 1997, p. XLVIII.

¹⁶ S. Vida: The Prohibition of Bad Faith Applications in German, French and British Trademark Laws (in Hungarian). Iparjogvédelmi és Szerzői Jogi Szemle, April 2001, pp. 19-30.

¹⁷ Bad Faith Provisions in the European Union and in the EU Candidate Countries. INTA, April 8, 2002. Bad Faith Case Study (Final Version). OHIM, January 31, 2003. Both papers can be found at <http://oami.eu.int/EN/enlargement/mechanisms.htm> under “Mechanisms to deal with bad faith applications”.

harmonized European trademark law. After Hungary's accession, the interpretations of this Court will become mandatory also for the Hungarian law courts. To our knowledge, the European Court of Justice has not yet taken any decision where the issue was the interpretation of the bad-faith application in the trademark law.

Some Austrian cases will also be outlined below to illustrate that, although the bad-faith application for trademarks as a ground for exclusion was introduced in the Austrian trademark law only as late as 1999, the courts had applied the general clause of the Austrian Unfair Competition Act¹⁸ to such cases already before that date, whereby the proprietors of such trademarks were ordered to waive their trademark registrations obtained in an unfair manner.

It must be noted that we are not aware of any Hungarian case where a similar decision has been taken on an unfair competition basis. There is, however, an example to the contrary.

In the Hungarian cancellation case "Hard Rock Café," conducted under the previous Trademark Act of 1969, the Supreme Court¹⁹ upheld the decision rejecting the request for cancellation, taken by the Hungarian Patent Office (hereinafter "MSZH"). The petitioner was unable to verify either any prior use in Hungary or widespread Hungarian recognition and made unsuccessful attempts to refer to the repute of its own trademark abroad and to the general provisions of the Civil Code. The Supreme Court stated that in that legal dispute the provisions of the trademark law, and not those of the law on unfair competition, are applicable and that furthermore the trademark law "provides a full scope regulation concerning the protection of the intellectual work (trademark) forming the subject matter of the trademark protection; the provisions of the law concerning the registration, cancellation and infringement of trademarks in harmony with the special character of this field of law prohibit and sanction the abuse of rights in accordance with the general provisions of the Civil Code (Art. 5), and incorporate the requirements implied by the principles of good faith and honesty in the exercise of rights (Art. 4)." Petitioner's trademark, unregistered in Hungary, was not well-known in Hungary; therefore, "the mark was not excluded from trademark protection and so, in the absence of any obstacles to registration, the fact that the applicant applied for trademark protection did not constitute an abuse of rights".

8.1 Pre-emption

If a person, either legally or illegally – for example by violating confidentiality or by industrial intelligence operation – obtains knowledge that somebody intends to introduce a mark to identify goods or services, and thereafter that person submits a trademark application for this mark with respect to the same goods or services, the case may be deemed to be a bad-faith application. Of course, the opposing party has to produce evidence that the mark has been invented and designed by him and that the applicant has taken over the mark from him.

This situation is similar to the usurpation of an invention where the subject matter of the patent application or patent has been taken illegally from somebody else. There is a difference,

¹⁸ Bundesgesetz gegen den unlauteren Wettbewerb 1984 (UWG), Art. 1.

¹⁹ Decision of the Supreme Court, No. Pkf.IV.20.530/1994, Bírósági Határozatok (Court Decisions), 1994, Case No. 477.

however, that in the case of an invention the usurpation of an intellectual creation takes place, whereas a mark, e.g. a simple word, very often does not constitute any intellectual creation.

Bad faith of this kind was established by the OHIM in the invalidation case DEPRO,²⁰ where it was proven that a person obtained knowledge of an intended mark of somebody else at a business negotiation and that person submitted a trademark application in bad faith, on behalf of his own company. There have been no reported Hungarian cases.

8.2 Breach of trust

A trademark application may take place in connection with a breach of some fiduciary relation. For example, an employee who obtains knowledge, by virtue of his/her job, on future trademark plans of the company and, by preceding the company, lets the mark be registered for his/her own benefit. The fiduciary relation may be not only employment; contractual relationships for professional services, for agency, for research cooperation, even friendship or a love affair may be abused by filing a trademark application in bad faith.

8.2.1 Abuse of partnership relation

The fiduciary relation may be in the form of a partnership. It may happen that the partners in a business relationship jointly utilize a mark without having it registered; then, usually after the deterioration of the relationship, one of the partners submits a trademark application in his/her own name in order to exclude the rest of the partners from further utilization of the mark. The partnership may take various forms: simple informal cooperation, partnership according to the civil law, or cooperation as business partners within the same company.

In the Hungarian case of the trademark application for ALOHA FILM device submitted on September 29, 1997, the MSZH registered the trademark. On the basis of the petition for reversal filed by the person who had made an observation against the application, the Metropolitan Court of Budapest and, following an appeal, also the Supreme Court established the fact of a bad-faith application.²¹ The trademark was invented as a result of joint activity and has become known in the course of its use. The person appropriating the trademark in favour of the company founded by him acted in bad faith against his former partners, therefore the application was rejected.

In the Hungarian cancellation case "Országos Térinformatikai Konferencia" ("National Geographic Information System Conference"), the Metropolitan Court of Budapest,²² in agreement with the MSZH, concluded that prior to the date of the application, which was submitted on June 23, 1999, the trademark proprietor was in contact with the petitioner who requested cancellation and who had used the mark previously; therefore the application violates the principles of good faith and fair conduct stipulated by the Civil Code and cannot be deemed to be done in good faith.

²⁰ Decision of the First Cancellation Division of the OHIM, No. 128C000382325/1, September 7, 2001; European Trade Mark Reports, 2002, Issue 3, pp. 312-316.

²¹ Decision of the Supreme Court, No. Pkf.IV.24.838/2000/2, February 14, 2001; reported by G. Mikófalvi, *Védjegyvilág*, 2001, No. 1, pp. 32-35.

²² Decision of the Metropolitan Court, No. 3.Pk.28.558/2000; reported by G. Mikófalvi, *Védjegyvilág*, 2001, No. 3, pp. 27-28.

In the proceedings for cancellation of five Hungarian trademark registrations (BURN JEL, OKS, ZETEX, ZETEXPLUS, WATERJEL), the MSZH established²³ that the proprietor company submitted the applications in bad faith as one of the owners of the company had previously been a member of the petitioner's firm, which for a long time had been the sole distributor in Hungary of the goods bearing the opposed trademarks of foreign manufacturers. The petitioner was a person other than the original foreign proprietors of the trademarks; this fact, however, was not an obstacle to the proceedings as anybody may request the cancellation of the trademark registration on the basis of a bad-faith application.

In the Hungarian cancellation case KOCIDE, the trademark proprietor was the business partner of the petitioner's subsidiary, who was entrusted to apply for the registration of the trademark in favour of the subsidiary; instead the application was submitted, however, on behalf of his own company. Both the MSZH and, pursuant to a petition for reversal, the Metropolitan Court of Budapest established bad faith in the trademark application and ordered the cancellation of the trademark.²⁴

8.2.2 Abuse of agency or representative relation

Another form of the fiduciary relation is where somebody is the agent or representative of the trademark proprietor. In this group of cases, it should be considered that, in harmony with Art. 6septies of the Paris Convention, the Trademark Act of 1997 excludes a mark from trademark protection if the application for registration has been submitted by the agent or representative in his/her own name, without the consent of the proprietor. The proprietor may request cancellation of the registration [Art. 6 of TA] or the assignment thereof [Art. 19(5) of TA]. Due to the similar character of the relevant legal relationship, these provisions also are presumably applicable to exclusive and non-exclusive distributors.²⁵

The trademark application submitted by the agent or representative in his/her own name may be in bad faith. However, bad faith is not necessarily present for the sole reason that the application has been submitted without the consent of the proprietor. The agent or representative may have submitted the application without bad faith whatsoever in order to carry out the sales performed on behalf of the principal under the auspices of trademark protection. The foreign proprietor may be a passive person who does not care to obtain the registration for his trademark in Hungary.

Nevertheless, passivity itself cannot be regarded as consent. Later the proprietor may require the assignment of the trademark registration against payment of the justified costs. If the agent or representative declines the assignment, he/she does not act lawfully. It is believed, however, that it does not imply that the agent or representative had been in bad faith at the time of the application. Bad faith in the application shall be proven by the opposing party referring to

²³ Decisions of the Trademark Board of the Hungarian Patent Office in cancellation cases relating to Hungarian Trademark Registrations Nos. 158345, 158340, 160888, 160889 and 158342 that have become final due to lack of petitions for reversal.

²⁴ Decision of the Metropolitan Court, No. 3.Pk.23.339/2000/4, December 20, 2000; reported by S. Vida in J. Németh, D. Kiss (Editors): *Commentary to Nonlitigious Court Proceedings*, Vol. 1 (in Hungarian), KJK-Kerszöv, Budapest, 2002, p. 545.

²⁵ Bodenhausen, see note 3, p. 125.

such legal ground. Nevertheless, in such cases it is not necessary to refer to the alleged bad-faith application as the provisions of the Trademark Act of 1997 referred to above provide a sufficient legal remedy.

In the Hungarian case GOLDEN LADY,²⁶ the licensee of the trademark used to be the distributor of the petitioner for sales of stockings under the trademark GOLDEN LADY, registered in class 25. The distributor submitted in his own name the application for the trademark GOLDEN LADY, written with special style letters, in classes 3, 9, 16, 18, 24 and 35, which were different than the originally registered classes of the petitioner. In the cancellation proceedings, the MSZH concluded that bad faith prevailed in respect of all goods and services which can be regarded as similar to the stockings, and delimited the list of the goods only in the respective classes 18 and 35. The party who requested the cancellation was not satisfied with the partial cancellation and, therefore, filed a petition for reversal that was later withdrawn, so the decision of the MSZH became final.

In the invalidation case “Be Natural”, OHIM issued a decision²⁷ stating that the applicant for the trademark registration, who previously was a member of the distribution network in England that sold products bearing the trademark of the petitioner, acted in bad faith upon the application for registration. The bad faith of the applicant was *twofold* as he submitted the application with the OHIM after the corresponding U.K. trademark registration had been invalidated due to bad faith.

In the invalidation case TENSEGRITY before the OHIM,²⁸ there was a contractual relationship between the proprietor of the trademark and the foreign proprietor of the same mark for the organization of seminars identified with the trademark in question. Upon the petition for invalidation filed by the foreign proprietor, the domestic proprietor of record assigned the registration to the petitioner. The Cancellation Division terminated the proceedings as the trademark proprietor and the petitioner had become the same person and ordered the previous trademark proprietor deemed to have acted in bad faith to pay the costs.

8.3 Bad faith of previous retailer

Goods bearing the trademark of another person may be circulated by a person who has no such legal relationship as agent, representative or distributor with the manufacturer of the goods or its agent. If this person submits an application to have the mark registered as a trademark, in the examination of bad faith, it is obvious that as a salesperson he/she must have known about the previous trademark. It must be investigated, however, whether there was fraudulent intent.

In the cancellation case²⁹ with respect to the Hungarian part of the international registration ZŁOTY BAŻANT (Polish counterpart of “golden pheasant”), the trademark proprietor marketed in Poland the product of the Hungarian petitioner under the trademark ARANYFÁCÁN (Hungarian counterpart of “golden pheasant”). The petitioner’s own trademark consisted of an

²⁶ Decision of the Trademark Board of the Hungarian Patent Office, No. M9301801/8, April 25, 2000.

²⁷ Decision of the First Cancellation Division of the OHIM, No. C000479899/1, October 25, 2000.

²⁸ Decision of the First Cancellation Division of the OHIM, No. 172C000597849/1, November 8, 2001.

²⁹ Decision of the Trademark Board of the Hungarian Patent Office, No. 676208, June 18, 1999.

illustration of a pheasant and the inscription “Golden pheasant” in six languages. The MSZH established bad faith and cancelled the Hungarian part of the international registration because, as a result of the sales, the trademark proprietor knew of the petitioner’s trademark prior to the application, and he intended to have its Polish translation registered for the same and similar products, for his own benefit. The international registration ceased to exist anyway due to a “central attack” as, upon the request submitted by the Hungarian petitioner, the Polish national trademark registration has been cancelled³⁰ also on the ground of bad faith.

In the Hungarian cancellation case CHENSON CS, the MSZH deemed the bad faith unproven because the trademark proprietor – who previously imported and circulated the foreign products bearing the trademark CHENSON – was neither the agent nor the representative or distributor of the petitioner, and the trademark CHENSON was not protected in Hungary. The trademark application thus did not violate anybody else’s rights. Upon the petition for reversal, the Metropolitan Court of Budapest concluded that if somebody wishes to have the trademark invented and used by the manufacturer registered for his own benefit without the consent of the manufacturer, knowing that those rights are due to someone else, his/her act is done in bad faith. Therefore, the Court changed the decision of the MSZH and ordered cancellation of the registration.³¹

In the Hungarian cancellation case VIPER-ULTRA-HORNET, the proprietor of the trademark imported and circulated apparatuses labelled VIPER, VIPER ULTRA and HORNET, manufactured by the petitioner, without being the agent or representative of the petitioner. The MSZH refused the petition for cancellation as it deemed that bad faith upon the application was unproven. Upon the petition for reversal, the Metropolitan Court of Budapest established the applicant’s bad faith at the time of the submission of the trademark application because the mark applied for was compiled from various trademarks the pertaining rights of which were due to somebody else. The applicant was aware of this, and the Court ordered the cancellation of the registration.³²

8.4 Bad faith of previous supplier

It may be that the product bearing the trademark of the proprietor is manufactured under contract by somebody else. If such a supplier submits the application for the registration of the mark in his/her own name without the consent of the proprietor, bad faith may prevail.

In the Hungarian cancellation case WESTSIDE,³³ the proprietor of the trademark registration manufactured and supplied a certain product under contract for the petitioner. The trademark of the petitioner was placed on the packaging of the delivered goods. After the termination of the contractual relationship, the supplier submitted a trademark application for the

³⁰ Decision of the Appeal Board of the Polish Patent Office, No. 1791/98, September 3, 1999.

³¹ Decision of the Trademark Board of the Hungarian Patent Office, No. M9404048/8; Decision of the Metropolitan Court, No. 3.Pk.22.142/2000/6, May 14, 2001.

³² Decision of the Trademark Board of the Hungarian Patent Office, No. M9501671/8; Decision of the Metropolitan Court, No. 3.Pk.23.849/2000/10, October 3, 2001.

³³ Decision of the Trademark Board of the Hungarian Patent Office, No. M0001851/17, October 3, 2002 (not final).

same goods in his own name. The MSZH deemed the application to have been made in bad faith and cancelled the registration.

8.5 Bad faith vis-à-vis unrelated third parties

In the foregoing, bad faith cases have been discussed where, except for certain cases of pre-emption, some form of contact, relation or legal relationship already existed between the proprietor and the person applying for the registration of the trademark. Consequently, one of the essential criteria for the establishment of bad faith, namely that the applicant was aware that the trademark was due to somebody else or that somebody else was also entitled to own it, generally subsists. Therefore, it has to be established only whether the application as an act qualifies as fraudulent. It is feasible, however, that a registration applicant may act in bad faith even if no previous relation whatsoever existed. In this chapter such cases will be highlighted.

For applications without prior relationship, the question of bad faith may be raised only when the mark has previously been used or registered by a third party. To establish bad faith in such cases, *two conditions* are thought to be indispensable. First, it has to be proven that the *applicant was aware* of the prior trademark, and, second, that some form of *fraudulent intention* prevailed at the time of the application.

In the Hungarian cancellation case BEYOND, the petitioner claimed that the trademark consisting of the word BEYOND and a device is very easy to confuse with his prior device trademark and that the applicant submitted the application in bad faith. Approving the request for cancellation, the MSZH established that there was a confusing similarity and furthermore that the applicant acted in bad faith at the time of the application. Upon the petition for reversal filed by the trademark proprietor, the Metropolitan Court of Budapest altered the decision of the MSZH and rejected the request for cancellation.³⁴ No petition for review was filed against the writ.

The Court came to the conclusion that the trademark cannot be confused with the prior trademark as its dominant element, the word BEYOND, is not present in the prior device trademark and also the graphical element is different from the figure of the prior trademark. Furthermore, it was established that no circumstances were revealed in the course of the proceedings which supported a bad faith of the applicant, and the petitioner did not refer to such circumstances either.

In the Hungarian cancellation case regarding the CORELDRAW! device,³⁵ the petitioner requested the cancellation of the trademark registration because it was identical with his own unregistered but previously used mark. The proprietor of the trademark did not submit any counterstatement in the proceedings and failed to appear at the hearing. The MSZH cancelled the registration on the ground of bad-faith application as the word, the exclamation mark, and the graphical design identical with those of the mark used previously by the petitioner were evidence of copying. In the absence of a petition for reversal, the decision of the MSZH has become final.

³⁴ Decision of the Metropolitan Court, No. 3.Pk.25.294/2000/5, April 4, 2001.

³⁵ Decision of the Trademark Board of the Hungarian Patent Office, No. M9304362/6, May 17, 2001.

In the Hungarian cancellation case TICKET MASTER,³⁶ the petitioner requested the cancellation of the trademark registration on the basis of alleged bad faith in respect of his prior trademark TICKETMASTER, which was well-known and had been used abroad for a long time. The petitioner submitted that, simultaneously with the application for the mark in question, the registration of two other marks were applied for, one of them being almost identical with his prior trademark TICKETRON also widely used abroad. Even the style of lettering had been copied. It was also alluded that at the time of the application the managing director and majority owner of the trademark proprietor company had been the citizen of a country where, at the time of the application, both prior trademarks were well-known and widely used. The MSZH refused the request for cancellation because the petitioner was not able to claim any of his previous rights prevailing in Hungary or to present any data evidencing any kind of relationship between him and the trademark proprietor.

Upon a petition for reversal, the Metropolitan Court of Budapest reversed the decision of the MSZH and ordered the cancellation of the trademark registration on the grounds of bad-faith application. The Metropolitan Court concluded that bad-faith trademark application can be realized not only when the petitioner has previous rights in Hungary or some form of relation existed between the petitioner and the applicant, but also in the event when the applicant applied for the registration of a trademark of which he/she knew that it was due to somebody else. On the basis of the facts revealed in the course of the proceedings, the Court deemed it proven that the applicant deliberately adopted, with minor alterations, the trademark of the petitioner. No appeal was filed against the decision of the Court, thus it has become final.

In the Hungarian cancellation case TICKETRON,³⁷ between the same parties as in the above-described TICKET MASTER case, on the basis of the above-mentioned grounds the Metropolitan Court of Budapest also established bad faith. The appeal filed by the trademark proprietor against the decision was dismissed definitively by the recently established Court of Appeal of Budapest stating that, on the basis of the chain of evidence, the Metropolitan Court was right in concluding that the trademark proprietor *must have known* that the mark applied for registration by him was due to somebody else.

In the invalidation case of the device trademark “Senso di Donna” registered in several classes,³⁸ the OHIM invalidated the registration in class 25 on the ground of the prior trademark SENSO registered in the same class. It was found that “Senso di Donna” was easy to confuse with SENSO. However, the request alleging bad faith of the proprietor was dismissed. According to the First Cancellation Division “bad faith is a narrow legal concept in the CTMR system”. If bad faith is alleged by the petitioner, he/she is expected to produce evidence in support of the alleged bad faith of the trademark proprietor at the filing of the application. In the course of the proceedings, the petitioner presented no evidence whatsoever in this respect.

³⁶ Decision of the Trademark Board of the Hungarian Patent Office, No. M9501437/9; Decision of the Metropolitan Court, No. 1.Pk.24.340/2001/14, December 13, 2002.

³⁷ Decision of the Trademark Board of the Hungarian Patent Office, No. M9501436/14; Decision of the Metropolitan Court, No. 1Pk. 29.964/2000/7; Decision of the Court of Appeal of Budapest, No. 8.Pf.20.417/2003/3, July 3, 2003.

³⁸ Decision of the First Cancellation Division of the OHIM, No. C000616979/1, October 16, 2000.

In a lawsuit for unfair competition in the case “Nintendo”, the Austrian Supreme Court concluded in its judgement³⁹ that it is a violation of the general clause prohibiting unfair competition if, in Austria, somebody applies for his own benefit for the registration of a graphical trademark registered and used by another person abroad with the intention to obtain the right of sales in Austria and to charge a license fee for the sales. In the lawsuit, the above outlined intention was evidenced by the statement of the defendant and by his letter of demand sent to the plaintiff.

A similar decision was rendered by the Austrian Supreme Court in the case “Pinkplus”, also in an unfair competition lawsuit,⁴⁰ in respect of a trademark used and registered in several countries for insulation materials marketed abroad where the trademark served as one element of the marketing strategy built on the pink colour of a foreign proprietor. Both the plaintiff and the defendant, who applied for the registration of the trademark “Pinkplus”, were world leaders in the field of insulation materials. The defendant did not use the trademark; at the time of application for registration in Austria, he was aware that the trademark belonged to its competitor who planned the expansion of its activities in Austria. Thus, the defendant’s act was deemed an unfair hindrance of the competitor (“sittenwidrige Behinderung”); therefore the judgement ordered the defendant to waive his trademark registration.

In the above case “Pinkplus”, it is noteworthy that both the court of first instance and the court of second instance dismissed the petition with the reasoning that the plaintiff was unable to refer to any of his previous rights in Austria (“schutzwürdiger Besitzstand des Vorbenutzers”) and had presented no direct evidence for defendant’s bad faith. The final judgement was passed in the course of a review by the Supreme Court, which pointed out that a trademark application can be dishonest also when the other person has no previous rights in Austria which would collide with the trademark application.

It was further stated that for the establishment of the unfair conduct, it is not sufficient if the applicant was aware of the previous use of the trademark by another person abroad; facts evidencing unfair intention are also indispensable. In the case in question, the Supreme Court deemed that the aforementioned circumstances rendered to a great extent the unfair intention of the defendant probable. Therefore, the burden of proof lied with the defendant to show that his intention had been fair, and to rebut the presumption based on probability. The defendant, however, failed to do this and presented no acceptable justification of his trademark application.

8.6 Bad faith vis-à-vis competitors in general

In the aforementioned cases, the applicant acted *mala fide* against somebody else. Now the question is whether it is possible to ascertain bad faith in a trademark application where the bad faith prevails not against a specific person but against competitors in general. There are such cases in England, where, according to the provisions of the U.K. trademark law, either prior use or serious intention to use is required for a trademark application. An application where none

³⁹ Oberster Gerichtshof, No. 4 Ob 11/98 s, February 24, 1998; ÖBl. 1998, pp. 229-232.

⁴⁰ Oberster Gerichtshof, No. 4 Ob 310/98 m, July 13, 1999; ÖBl. 2000, pp. 25-28.

of them prevails may qualify as *mala fide*. Partial bad faith is also feasible if the above deficiency is applicable only to one part of the list of goods.⁴¹

According to the old Hungarian trademark law and previous trademark laws of other countries, trademark registrations could be owned only by persons engaged in economic activity. Where such a requirement prevails, it is conceivable that an applicant pretentiously engaged in some fictitious business activity may qualify as *mala fide*.

In view of the fact that, according to the Hungarian trademark law in force, the attainability of trademark protection requires neither business activity nor previous use or intention to use, it is thought that bad faith cases of this kind may not be encountered in Hungary.

Not surprisingly, the OHIM⁴² passed a decision in the invalidation case TRILLIUM where the petitioner argued that the trademark proprietor acted in bad faith as at the time of the application no intention to use the mark for all goods in the list of goods prevailed. The request for invalidation was dismissed on the ground that in the community trademark law – in contrast to the U.K. trademark law - the intention to use is not required, therefore, the absence thereof cannot serve as a ground for the establishment of bad faith.

The Hungarian trademark law stipulates the obligation of use after a period of five years, counted from the date of registration. One of the sanctions imposed in the event of failure to put the trademark into genuine use is that anyone can request the declaration of the lapse of the trademark protection.

It might be that, in the absence of use, the proprietor of the trademark wishes to maintain the permanent protection of the trademark by applying again and again for the registration every five years and take advantage of the grace period due after each new registration. *Vida* gives account⁴³ of such cases in the French case law, where such dishonest conduct aimed at the maintenance of the trademark protection is sanctioned. No Hungarian cases of this kind have been published.

In this respect, it shall be taken into consideration that the proprietor of a trademark registration may not be deprived of the right to apply for the registration of his/her own trademark several times, even with redundant list of goods in the given case. Any collision with the applicant's own, previous trademark as grounds for exclusion is in principle unfeasible. The proprietor is also entitled to apply for the registration of the amended version of his own trademark. It is believed that, on this ground, bad faith can be established only if an intent to circumvent the obligation to use the trademark is unambiguously proven.

8.7 Joint bad faith in several applications

There may be situations where several applications submitted by the same applicant are jointly in bad faith, although the individual applications would not qualify as *mala fide*. It is thought that the fact itself, namely that a person submits several or even many trademark applications, is not objectionable. It is also lawful to have marks, invented by the applicant and not violating

⁴¹ Appointed Person Geoffrey Hobbs, Q.C., September 28, 1999; R.P.C. 2000, No. 9, p. 345.

⁴² Decision of the First Cancellation Division of the OHIM, No. C000053447/1, March 28, 2000.

⁴³ *Vida*, see note 16, p. 26.

somebody else's previous rights, registered in order to sell them and make a profit. To establish joint bad faith, some additional element is required, such as the one present in the following case.

In a Japanese decision for unfair competition, the facts of the case revealed that the publisher of a journal (Hokkaido Shimbun) tried to hinder the issuance of a local competitor journal by applying for the registration of a large number of trademarks which contained the name of the place (Hakodate) and every possible versions of expressions commonly used in the names of newspapers (news, herald, courier, journal, etc.). The Japanese competition authority established the unfair competition and ordered the applicant to withdraw all his applications for registration of such trademarks.⁴⁴

The aforementioned Japanese case, similar cases to which can be encountered probably only rarely, must be distinguished from situations where the same applicant submits several applications, each in bad faith, such as in the cases of five trademark registrations referred to above (Chapter 8.2.1). There have been reports in some countries where a single person submitted hundreds of trademark applications, carefully selecting such trademarks which were well-known abroad and not yet registered in the given country. This "piracy" situation is similar to the one where somebody has a number of well-known company names or trademarks registered as domain names in bad faith for his/her own purposes ("cybersquatting").

9. Criteria for judgement of bad faith

9.1 Deliberateness and fraudulent intention

It is thought that bad faith of the applicant can be established only if, at the time of the application, the *consciousness* of the applicant embraced the facts on the grounds of which the application qualifies as *mala fide*. Nobody can act in bad faith accidentally. In the writer's view, the applicant's eventual negligence itself does not substantiate bad faith, for example if he/she failed to get information on the trademark register. It is believed that the decision of the OHIM in the above referred "Senso di Donna" case stated in this sense that *bad faith is a narrow legal concept*. One should act *deliberately* so that bad faith might be established.

In addition to deliberateness, a *dolus* intention is also required; that is, something bad, fraudulent, dishonest drift or aim. It is not necessary that the person himself should regard his intention or act fraudulent. To cite the witty words of *Kosztolányi*⁴⁵, a person who "wraps his bad faith into good faith" may not be exempted either. What counts here is the objective social judgement similar to the principle of good faith and honesty postulated in the Hungarian Civil Code as mentioned above (Chapter 4).

⁴⁴ K. Kondo reported in his paper "Enforcement of the Japanese Antimonopoly Law Against Use of an Intellectual Property in Competition", AIPPI Executive Committee Meeting, Lisbon, 16-22 June 2002, on a consent decision of the Japan Fair Trade Commission, No. Heisei 10 (Han) No. 2, February 28, 2000.

⁴⁵ D. Kosztolányi (1885-1936), Hungarian poet

9.2 Evidencing bad faith

No presumptions in law are set up by the Hungarian Trademark Act of 1997 for applicant's good faith or bad faith. According to *Ficsor*,⁴⁶ bad faith in trademark law *may not be presumed* under any circumstances.

According to the general rules of taking evidence, the person alleging the bad faith of the applicant bears the burden of proving it. The suspicion or mere statement of bad faith is not sufficient. The person who alleges bad faith has to list the facts which, at least to a considerable extent, render bad faith plausible. It is only thereafter that the burden of counter-evidence is shifted onto the applicant, that is either to deny the allegation or to justify his/her act. It is believed that non-substantiation of bad faith may not be construed to the detriment of the applicant. In such a case, the judgement should be passed for the applicant.⁴⁷ Such procedure would comply with the general requirement of acting in good faith in the realm of human relations.

What shall be proven in case of bad faith? *Conscientiousness and fraudulent intent*. The issue of conscientiousness is raised especially where the registration of the trademark has been opposed by a third party having no relation with the trademark proprietor, with reference to his own previous trademark (Chapter 8.5). Here, the question is whether the identity or similarity of the trademarks might be sufficient to establish conscientiousness, if no direct evidence for it has been presented.

Owing to the large number of existing trademarks, it is very likely that if somebody invents a new mark, especially if it is a word or a simple device, he/she will infringe some existing trademark. This is supported by the experience gained in trademark searches. Of course, such a mark is excluded from the trademark protection but not on the ground of bad faith application.

The more common or simpler the previous trademark is, the greater the likelihood is that the subsequent applicant selected his/her own mark independently. The more complex and unusual the previous trademark is, the less credible the statement of the applicant to the same effect becomes. In most cases, the design of a mark identical or almost identical with a graphical trademark cannot be invented totally independently. This must have been the conclusive evidence in the CORELDRAW! case referred to above (Chapter 8.5).

Simultaneous or nearly simultaneous trademark applications for marks identical or almost identical with previous trademarks is indicative of the fact that the congruencies are not accidental.

According to the *theory of probability*, the probability of conjugate occurrences of several unrelated random events shall be calculated by multiplying the probabilities of the occurrence of each single event. If, in the selection of a new word, the probability of the congruency with a wordmark in the trademark register is for example 1:100, then in the case of two selected new words the probability of congruency of both words with existing trademarks is 1:10,000.

⁴⁶ M. Ficsor: The Extension of the Community Trademark System to Hungary. Presentation at the MARQUES Annual Conference, Budapest, September 10 to 13, 2002.

⁴⁷ Similarly to the legal principle "In dubio pro reo".

Thus, the more trademarks are applied for, the less credible the statement of the applicant is that the congruency of each one is only accidental. It is believed that this was the decisive argument in the aforementioned TICKET MASTER and TICKETRON cases (Chapter 8.5).

If the previous trademark is well-known, the statement of the applicant is less credible when claiming that he/she did not know about it. In the case of a previous well-known trademark, bad faith may prevail also in a subsequent application for identical mark relating to different goods or services.

It is hardly credible in the case of market leader companies that one of them does not know about the registered trademark used abroad by the other. This is believed to be the decisive fact in the referenced "Pinkplus" case (Chapter 8.5).

The question is how far bad faith can extend if the registered trademark is only similar to a previous trademark. In our view, bad faith can be established in the case of marks which are identical or almost identical; otherwise the scope of the provision would be endless. It would be justified to extend this limit only in cases where there is some serious indication of bad faith, other than the mere similarity of the trademarks. It is believed that in the above-referenced "Senso di Donna" case this fact resulted in dismissal of the cancellation request based on alleged bad faith, although the trademark registration was partly invalidated owing to confusing similarity. This decision is in harmony with the court decision in respect of bad faith rendered in the above-referenced Hungarian BEYOND case (Chapter 8.5).

9.3 Mala fide allegation of applicant's bad faith

Not only the applicant may submit the trademark application in bad faith, but also the *opposing party may act in bad faith* by objecting to the trademark application or registration on the ground of bad faith. There are trademark proprietors who are ready to allege bad faith if the smallest similarity can be detected between their own trademark and a trademark registered subsequently by somebody else. The person who alleges bad faith of somebody without sufficient grounds can hardly be considered to act in good faith.

It may also happen that a trademark registration is in somebody's way and he has no weapon of his own to combat it. He may find another identical or similar previous trademark owned by a third person. He cannot raise the relative ground for invalidity on the basis of identity or striking similarity but he may initiate a cancellation procedure on the ground of bad-faith application as the latter is an absolute ground for invalidity.

This hypothetical case illustrates that it would be *improper to presume bad faith* merely on the basis of identity or similarity of the trademarks. In the stock of the trademarks registered in or for Hungary, which is a relatively small country, there are thousands of trademarks which show a substantial degree of similarity to previous trademarks. The legal institution of consent is expected to increase this number. It is believed that the classical relative grounds for invalidity are designated to handle such cases.

10. Conclusion and outlook

The introduction of bad-faith application as a ground for exclusion from the trademark protection is regarded a considerable, even revolutionary, change in the Hungarian trademark law. The trademark law has become more refined but also more complicated; its use will be a *challenge* to bodies responsible for the operation of law, first of all to the Patent Office and the Courts. For the proper use of this legal institution *prudence* is required also from those entrusted with enforcement of law.

Here *legal representatives* of interested parties play a key role and assume responsibility. On the one hand, they give advice to their clients on the expected outcome of proceedings; on the other hand, they determine in most cases the legal grounds to be asserted. It is the duty of the representative to use every possible legal tool to advance the interests of his/her client. It is thought, however, that this does not involve the obligation to raise all possible legal grounds and titles enumerated in the law with the consideration that even "pigs might fly". This is especially true for the ground of bad faith application which is an *allegation with serious affects on the person* of the applicant.⁴⁸

The responsibility of the *judiciary* is to prevent that "pigs should fly" and to ensure that a party presenting a totally unfounded legal ground should be sanctioned by the proper use of the rules relating to court costs, motivating thereby the representatives and the persons asserting their rights to lodge their claims only in good faith, with legal grounds based on truth and reality.

Bad faith in trademark law will acquire another new role in the near future. Pursuant to the agreement on the accession of Hungary and nine other European countries⁴⁹ to the European Union, the protection of the community trademark registrations will be extended automatically to the territory of the acceding countries.⁵⁰ However, the proprietor of a conflicting prior national trademark or other national right may prohibit the use of a community trademark in the country concerned, provided that the prior trademark or other right was acquired in good faith.⁵¹

Conclusively, good faith may be subjected to examination not only in trademark application and cancellation proceedings, but also in lawsuits initiated against the use of a community trademark on the basis of prior national rights and in lawsuits for infringement of community trademarks.⁵² Judgements in legal disputes of this type will belong to the jurisdiction of national courts. Thus, as of May 1, 2004, the scope of application of bad faith will be enlarged and a new challenge will appear in the rapidly changing world of intellectual property.

⁴⁸ In the British case of *Société des Produits Nestlé SA v Unilever plc*, High Court of Justice, December 18, 2002; E.T.M.R. 2003, Issue 7 & 8, p. 685, Mr. Justice Jacob made the following statement: "An allegation of bad faith should only be made when dishonesty or something approaching it ... can properly be alleged with full particulars. It is a serious allegation, not one to be thrown in the pot along with other, more conventional points."

⁴⁹ Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia are expected to accede to the European Union with effect of May 1, 2004.

⁵⁰ To this effect, a new Art. 142a will be inserted into the amended Council Regulation (EC) 40/94 of December 20, 1993 on the Community Trade Mark by the Treaty of Accession.

⁵¹ T.Z. Gold: Trademarks in Transition: Enlargement of the European Union. A User's/Owner's Point of View. Presentation at the MARQUES Annual Conference, Budapest, September 10 to 13, 2002.

⁵² A. Parkes: The Community Trademark: Enforcement in the Enlarged European Union. Presentation at the AIPPI-MIE Conference, Budapest, September 3 to 6, 2003.

Dr. Endre MILLISITS*:

CONSUMER PROTECTION ASPECTS IN THE HUNGARIAN TRADEMARK ACT

In a free market economy, consumer protection remains more or less a trademark law principle, targeted to promote the public interest without causing unnecessary restrictions in obtaining, maintaining, and enforcing trademark rights.

Consumer protection should be understood as broad as possible. Consumers have the right to choose between competitors' products, so they must have correct information about the goods and services they are offered.

Subject matter of consumer protection in the Hungarian Trademark Act

Trademark law in the narrow sense has provisions that are targeted at consumer protection.⁵³

Even the Hungarian Trademark Act No. XI of 1997⁵⁴ emphasizes the importance of the consumer protection aspects of trademark law. The preamble of the law states as a main principle that the law has „to assist consumers in gathering information”. There has always been an emphasis in the law on these aspects and the relevant Patent Office and Court practice.

The main point is Sec.3 (1) :”a sign shall not be granted trademark protection if ... (b) „it is suitable to deceive consumers as to the nature, quality, geographical origin or other characteristics of the goods and services”.

The examples given in Article 10bis (3)3 of the Paris Convention are reflected here, namely, „the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.” Seemingly, services and indications of geographical origin are also included. Deceptive statements can be made on all relevant aspects of business matters. However, in principle, the prohibition of deception should be broad enough to cover those new forms of misleading acts that the legislature has not anticipated. On the other hand, a statutory provision must give guidance to the courts.

In countries with a predominantly continental civil law approach, including Hungary, this is often achieved by expressly naming those forms that „in particular” must be regarded as misleading, leaving the Patent Office and the courts free to take other forms of deception into account.

Sec. 19 (4) of the Trademark Act of 1997 provides that „The contract for the assignment of trademark protection shall be null and void where the assignment is likely to mislead the public.”

In Chapter IV (License agreements) Sec. 23 (2) provides that „any license contract whose fulfilment is likely to mislead the public shall be null and void”.

In Chapter XIII , Sec. 96 (3) provides: „A sign shall be excluded from trademark protection as collective mark, if it is liable to mislead the public as to its character or importance, in

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⁵³ See also book review of György Csécsy's textbook by A. Vida, in AIPPI Proceedings (Hungary), No. 29 of 2002, pages 88 and 89

particular if, in the case of registration, consumers might deem it other than a collective mark". Regarding the rights conferred by the protection of geographical indications, Sec. 109 (2) points d) and e) provide that, on the basis of the exclusive right of use, any of the proprietors shall be entitled to bring an action against any person who, in the course of trade, uses any false or misleading indication as to the provenance, origin, nature or essential characteristics of the product, no matter where it is indicated (e.g. on the packaging, advertising material or documents relating to the product) or performs any other act liable to mislead the public as to the true origin of the product.

The Trademark Act of 1997 – beyond actions based on non-use of the mark – completes the reasons for the lapse of protection with two types of action: lapse by reason of losing the distinctive character and lapse by reason of becoming deceptive (Sec 35).

In Hungary, proceedings have been filed almost exclusively due to lack of use of marks, until now.⁵⁵

Consent declarations and consumer protection

The earlier Hungarian Trademark Act No. IX of 1969 contained no provision on consent declarations. Court practice refused to accept these declarations because of the monopolistic character of trademark rights and even consumer protection. A trademark application for the word HILTON and device with respect to tobacco goods of International Class 34 was refused by the Hungarian Patent Office and subsequently by the Supreme Court despite a written consent declaration of the well-known hotel company (Pkf. IV.22 690/1993). The practice of the Hungarian Patent Office has changed since the early 1990's and, in some cases, consent declarations were accepted. The EC Directive 89/104/EEC of December 21, 1988 – the purpose of which was to approximate the trademark laws of Member States and which has been implemented in all EU Member States – proposes to accept consent declarations facultatively. Under international trademark law development, consent declarations are accepted and even institutionalized in some countries.⁵⁶

When the draft of Hungarian Trademark Act of 1997 was discussed by trademark professionals, introduction of mandatory acceptance of consent declarations by the Hungarian Patent Office was criticized because of the potential harm to consumers' interest, primarily in the field of pharmaceutical trademarks. But the legislator followed the British example.

Under Sec. 7 of the Hungarian Trademark Act, a sign shall not be refused trademark protection in accordance with Sec. 4 and 5 (relevant grounds of refusal) if the holder of the earlier right consents to the registration of the later sign. A declaration of consent shall be valid if it is drawn up as a public instrument or private paper providing sufficient evidence of consent. It may be attacked under the relevant provisions of the Civil Code regarding actions for avoidance of a contract by reason of mistake, deception or threat; the statement may not be withdrawn and may not be replaced by the judgement of a Court.

The need for consent declarations often arises when the Hungarian Patent Office refuses to register one party's mark in view of another party's prior registration. Identical or similar marks

⁵⁴ English translation: Industrial Property, February, 1998

⁵⁵ Since entering into force of the 1997 Act, there was only one proceeding initiated for lapse by reason of the mark becoming deceptive. A court revision proceeding is still pending

⁵⁶ E.g. Sec. 5(5) of UK Trademark Law of 1994

may coexist in the marketplace without any likelihood of confusion. Now, practice has shown that there is no real danger in accepting these declarations. And these declarations do not go against consumer protection interests. Practically, no consent declaration is issued when the owner of the earlier mark feels a danger of confusion. We have had the same experience as expressed in a US court decision: *"It is highly unlikely that [the parties] would have deliberately created a situation in which the sources of their respective products would be confused by their customers."*⁵⁷

It is important to note here that consent declarations are not likely to overcome official actions based on absolute grounds of refusal. Some of these grounds can be eliminated, however, by filing a written consent which is not covered by „consent declarations“. This reasoning leads to the consequence that the opposition system, instead of ex officio examination, does not oppress consumer protection interests expressed by a trademark law.

The fair competition approach

Trademark law is part of the law against unfair competition. However, specific rules of competition can be found in Act No. LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices (hereinafter: Competition Act), which became effective on January 1, 1997. It replaced the previous Act No. LXXXVI of 1990 on the Prohibition of Unfair Market practices that had been effective since January 1, 1991. This latter Act took into account the international experiences of legislation and law enforcement; nevertheless, problems emerged during its application due to the changes of the Hungarian economy, and the need for law approximation spurred the Hungarian legislators to amend it.

The Competition Act prohibits the misleading of the consumers in connection with economic competition, or the application of business methods which restrict – without justification – the freedom of choice of consumers. It qualifies as such a method where circumstances are created which make it substantially more difficult to assess objectively the actual worth of the goods or the offer, or to compare with other goods or another offer.⁵⁸ An example from practice: the person accused of misleading consumers through the application of wording, indications and colours occurring on a label reading CORDONIER NAPOLEON. Specifically, the neck label featured the indication V.S.O.P. in bold black characters, the front label featured French language wording, including highlighted inscriptions „Napoleon“, „Finest V.S.O.P.“ and „Cordonier“ as well as the letter „N“ as reference to Napoleon. According to the statement of the Supreme Court, the name „Napoleon“, together with the indication V.S.O.P., created the impression in the Hungarian consumers that they were purchasing a spirit that was of a quality superior to the average after having been mellowed for several years. Besides, the cap bearing the wording „Produce of France“ or „Produit de France“ and the outline map of France on the back label also suggested that the product was of French origin.⁵⁹

⁵⁷ In re N.A.D. Inc., 224 USPQ 969,970 (Fed. Cir. 1985)

⁵⁸ Dr.Enikő Boytha: Decision-making Practice Based on the Provisions of the Act No. LVII of 1996 of the Competition Council; HUNGARIAN TRADEMARK NEWS 1998-1999, p.27.

⁵⁹ Dr. Alexander Vida: The Protection by Competition Law of Consumers Against Misleading; HUNGARIAN TRADEMARK NEWS, 2001, 26-31.pp.

Consumer protection and *acquis communautaire*

The issue of extending the Community trademark system to Hungary has certainly been one of the most complex problems that this country has had to solve at EU accession negotiations.

From the European perspective, the following sources are setting the legal and extra-legal framework in this field: (1) The EC Directive 89/104/EEC of December 21, 1988, to approximate the laws of the Member States relating to trademarks, which has been implemented in all EU Member States; (2) the EC Regulation 40/94 of December 20, 1993, on the Community trademark; (3) the Paris Convention for the Protection of Industrial Property of March 20, 1883 as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Lisbon on October 31, 1958, and at Stockholm on July 14, 1967, and as amended on October 2, 1979; (4) the Madrid Agreement Concerning the International Registration of Marks of April 14, 1891 (as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Nice on June 15, 1957, and at Stockholm on July 14, 1967); (5) The Madrid (Indications of Source) Agreement (1891) [this Agreement speaks of „goods bearing a false or deceptive indication by which one of the countries to which this Agreement applies, or a place situated therein, is directly or indirectly indicated as being the country or place of origin.” The Agreement provides that all above-mentioned goods shall be seized on importation into any of the countries parties to the Agreement (Article 1 (1)). This Agreement led to the border measures provided by modern trademark laws; and (6) the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) which came into effect on January 1, 1995.

As Hungary approaches accession to the European Trade Mark System, quotations and misquotations of European rules and case law grow more and more frequent. Some views appeared in the Hungarian literature pointing out the risk of breaching the free movement of goods principle laid down in the Rome Treaty by eventual Hungarian Patent Office or Court decisions refusing protection of certain marks based on their misleading character. According to these views, the free movement of goods is impossible when a foreign trademark owner is forced to use another „supplementary” mark in the country where protection of his „main” mark has been refused.

The basic principles of actual Hungarian practice

A mark – in this respect – is a sign that contains information for the market as a whole and in particular for competitors and consumers simultaneously. The general clause can be formulated like this: a mark shall contain true, honest and non-misleading information. In other words: a mark – as applied for or as used – is a statement of the owner that all information contained in the mark is in accordance with honest practice, is **not deceptive nor done in any way which is misleading**.

If a trademark is deceptive in relation to product properties, e.g. origin, composition or quality, it may be deemed either entirely inadmissible for registration or admissible only with an appropriate restriction.

Marks deceptive in relation to the origin of goods/services

According to the Hungarian Patent Office's practice, the prohibition of deception in relation to origin means that marks implying, for example, Hungarian origin (Ferenc Liszt, Béla Bartók, Mátra, Balaton) can be protected only for goods produced in Hungary.

The practice of the Hungarian Court was rather strict during the 70's and 80's. The case of *In re WINFIELD* is an exemplar. In that case, the Court refused protection of a mark applied for by a non-British, non-American firm, stating that the word suggested British or American origin.

Not only personal names but also internationally known views of monuments etc. could symbolize a country or an exact location. The Hungarian Patent Office refused protection of the application for VICTORIA STATION by a French firm for leather ware. The Metropolitan Court revised this decision saying that these goods of French origin have the same reputation in Hungary as those of British origin and, therefore, Hungarian costumers can not be misled by this mark.

Sometimes the Metropolitan Court does not follow the same lines as the Patent Office does. E.g. SATCHMO [the nickname of the former American jazz musician Louis Armstrong] was not deemed to be deceptive as to the origin of goods. [The mark was applied for by a Swiss company for watches]. In another case, the Hungarian Patent Office found International Registration No. 712,220 SUISS misleading as to the origin of goods in International Class 32 (mineral waters, beer) in the name of a Spanish firm, since it was derived from the word SUISSE (French name of Switzerland). The Metropolitan court revised this decision (1.Pk.23.45/2001) holding that the word SUISS does not mean „SWITZERLAND” in any language; moreover, Switzerland is not famous for beer nor for mineral water. Summarizing its opinion, the Court pointed out that the misleading of the consumers could occur only when the idea of an advantage is being associated by consumers in connection with the origin of the goods included in the specification of the mark.

The Metropolitan Court agreed with the decision of the Hungarian Patent Office in *re LA FESTA CAPPUCCINO CAFFÉ* (International Trademark Reg. No. 686,113) device mark containing green, white and red colours in the order these colours appear on national flag of Italy [3.Pk. 29.430/1999/6]. (The goods claimed in Int. Class 30 were instant cappuccino products.) The owner was a firm from Poland, so the Court emphasized that there was a case of potential misleading of the Hungarian consumers.

Normally, this type of official action can be easily answered by the applicant by restricting the specification of goods or services to those that are not misleading (e.g. „spirits of Russian origin etc.).

Hungary applies the requirement of harmony between the origin of goods/services implied by the mark itself and of the specification of goods/services. This means that the specification of goods of marks of this kind have to be restricted in order to restore this kind of harmony.

Each and every aspect of the particular case should be carefully studied. E.g. restaurants bearing foreign geographical names do not offer, as a rule, food coming from this geographical area. On the other hand, marks containing geographical indications protected under the actual Hungarian Trademark Act or under the Lisbon Agreement for the protection of appellations of

origin and their international registration, have to come from the respective geographical territory. The difference in protecting geographical indications by different countries is reflected in the different practice of the competent authorities. E.g. PILS (PILSNER, PILSENER) is protected as an appellation of origin of the Czech Republic in Hungary. On the other hand, in some countries (e.g. Germany) the same names are taken to be generic to the type of beer. Accordingly, the Hungarian Patent Office refuses – as a rule – trademark applications containing any of the three words from countries other than the Czech Republic.

Marks deceptive in relation to physical properties or quality of goods/services

A mark that deceptively misdescribes a feature of a ware or service (deceptively misdescriptive) in such a way as to potentially mislead the consumer is not registrable as a trademark.

"GOLDEN RACE", for example, can not be registered as a trademark for products which are only gold plated or made from imitation gold.⁶⁰

In Hungary, this kind of objection is often raised against „natural” trademark applications, i.e. applications containing labels marketed or intended to be marketed, indicating – beyond others – generic names of particular products, e.g. „vodka”, „salami”, or „butter”.

It should be noted, however, that no quality testing etc. is carried out by the Hungarian Patent Office in order to give evidence of lack of some quality or physical characteristics of the goods or services offered with the trademark. A cancellation action was based on the eventual misleading use of the word „Original” in a label of a composition of healing effect. The selection of herbs as a basic material for the preparation of trademarked goods was different – the plaintiff said – from those contained by the original recipe. The action was rejected by the Office since, in the framework of a trademark cancellation action, no quality testing is possible. In other words, the specification of goods/services can be formulated to cover particular products but legal protection extends to all goods/services of the same description minimally.

After the accession of Hungary to the European Communities

The leading European case in the matter is the **Chiemsee Decision**⁶¹ that sheds light on conditions for registration of geographical indications as trademarks. These two cases concern the registration of a geographical indication as a trademark or part of a trademark. The decision in the case, issued by the European Court of Justice (ECJ) on May 4, 1999, illustrates the application of Art. 3 of the Trademarks Directive EEC/89/104 ("the Directive") with respect to both the unregistrability of descriptive trademarks and acquired distinctiveness. The company Windsurfing Chiemsee has its registered seat on lake Chiemsee, which is a holiday resort in Germany known mainly for its agricultural products but by no means for textiles. The company makes sportswear and gear, and owns device marks consisting of the words "Windsurfing Chiemsee". Since German law does not allow the registration of geographical indications of

⁶⁰ Example taken from the website of the Swiss Office.

⁶¹ Joint cases C-108/97 and C-109/97

origin as trademarks, German registration authorities granted registration as device marks only for the various graphic representations of the word "Chiemsee" and the additional accompanying features but not for the geographical indication itself. In the same area there are two other enterprises which sell sportswear bearing the word Chiemsee in different graphic forms from those used by Windsurfing Chiemsee, which has challenged the use by the other two enterprises of the name, claiming that there is a likelihood of confusion. The German Court asked the ECJ to establish, with reference to the Directive: under which conditions does the Directive's Art. 3 (1) (c) prevent registration of a trademark consisting exclusively of a geographical indication (and in particular whether the application of such a provision depends on a serious and current need to leave the indication free); what is required of a mark for Art. 3 (3) by the Directive on acquired distinctiveness to apply (in particular whether the requirements are the same in all cases or whether they differ according to the degree of the need to leave the designation free).

In its Decision, the ECJ held that as far as application of the Directive's Art. 3 (1) (c) is concerned, the competent authority must not only assess whether the relevant class of persons associate the geographical indication with the category of products covered by the trademark in question, but also assess whether this association may arise in the future. The Directive does not prevent registration of geographical indications which are not known in the relevant class of persons, or the registration of indications which the relevant class of persons does not consider to be the place of origin of the products in question; it is not necessary for the goods to be manufactured in the geographical location in order for them to be associated with it. As far as acquired distinctiveness is concerned, the ECJ ruled that the requirements a trademark must meet to qualify for application of Art. 3 (3) may vary depending on the need to keep the geographical indication free for the use of other enterprises.

The competent authority must assess all factors proving that a mark has acquired distinctiveness, and Community law does not preclude authorities from using opinion polls. If it turns out that a significant part of the relevant public identifies goods as originating from a particular undertaking because of the trademark, it must hold the requirement for registering the trademark to be satisfied.

After the accession of Hungary, the European practice will be followed, since there is a requirement for a follow up of European decisions. This would cause, as the above cases demonstrate, a considerable change in Hungarian practice.

The Community Trade Mark and the Accession of Hungary to the EU

On May 1, 2004, ten new countries will become members of the EU. The countries are Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia. Never before has an enlargement exercise comprised so many countries. The EU will pass from 15 to 25 countries and from 380 to 455 million people. Up to 10 new languages could be added to the present 11 official languages of the Union.

It will also be the first time the EU will enlarge since the CTM (Community Trade Mark) has become a reality. Solutions therefore had to be found on a number of important questions, such as what to do with pre-existing CTMs, language differences, etc. Furthermore, expansion will have important consequences both for the OHIM and the national trade mark offices of the candidate countries.

Automatic Extension of CTMs

The first question one asks when thinking about enlargement and marks is what will happen to pre-existing trade marks. The obvious answer everybody comes to after a while is that the pre-existing rights must be extended to the entire new territory and solutions must be found in case of conflicts after such extension.

During the negotiations on this subject, this solution was adopted. All pre-existing CTMs and CTMAs (Community Trade Mark Application) will be automatically extended to the territory of the new Member States as from the date of accession. Pre-existing CTMs and applications mean those applied for before the date of accession of the new Member States. In other words, it is irrelevant for the status of the earlier CTM whether or not it has been registered. The negotiators have applied the principle according to which the law of the date of filing remains to be applied to the Community trade marks for as long as they exist.

Automatic extension also means that no further action has to be undertaken, either on the part of the CTM owner or applicant or the OHIM. Therefore one does not have to ask for an extension nor pay additional fees. It is worth noting that one could not even prevent the extension of his or her own CTMs into the new member countries.

The extension of the EU is thus a great opportunity for trade mark owners to obtain extended geographical protection for free.

No Cancellation of Pre-Existing CTMs

Not only will CTMs be extended automatically but they will also be "grand fathered" by the accession Act. This means that extended CTMs cannot be cancelled on grounds - absolute or

* Director of Trade Marks, Danubia Patent and Law Office

relative - which exist only because of the accession of new Member States. Therefore an extended CTM will not be cancelled because a national trade mark in one of the new Member States is identical.

Neither will an extended CTM be cancelled because it is descriptive in one of the new languages. This is the logical consequence of the principle of application of the law of the time of filing. Therefore, if a trade mark is filed today, it will be examined in the present 11 official languages of the EU to verify whether any of the absolute grounds listed in Sec. 7 CTMR (Community Trade Mark Regulation) would stand in the way of registration. If this CTMA is descriptive in the language of one of the acceding countries, such as Hungarian, it presently cannot be refused by the examiner on that basis since this language is not one of the official ones of the Union. It would thus have been illogical to allow cancellation later on such grounds.⁶²

Absolute Grounds for Refusing Registration in the New Member States

If certain absolute grounds for refusing registration already exist in the acceding countries, they may prevent the registration of a CTM even before accession. Such grounds include, for example, geographical indications of origin or national sovereign emblems. New absolute grounds for refusing registration (e.g. where a CTM is descriptive in the language of a new member state) will only apply after accession.

New absolute grounds for refusal will not constitute grounds for refusing a pending and automatically extended CTM, irrespective of whether the application has already been examined by OHIM. Nor can new absolute grounds for refusal lead to the invalidation of a CTM which is already registered.

Sec. 12 CTMR will protect the interests of third party users of a CTM which, in a new member state, is descriptive, non-distinctive or purely generic. If the CTM is deceptive or violates public policy or morality in a new member state, its use can be prohibited in that member state under Sec. 106 (2) CTMR.

On absolute grounds for refusal, preventing the use of certain CTMs, e.g. on Hungary's territory, is possible based upon Sec. 106 of the CTMR. That Sec. provides for the possibility of prohibiting uses of a CTM to the extent that such use of a national trade mark may be prohibited under the law of the Member State in question or under Community law. However, CTMs which were liable to be declared invalid before Hungary's accession will remain so after accession. This means that, with respect to new grounds for refusal, i.e. on grounds that are exclusively related to Hungary in one way or the other and that did not exist on the date of application of a given CTM, there will only be a possibility to prevent the use in Hungary of the CTM concerned in accordance with Sec. 106 of the CTMR. On the other hand, CTMs which, at present, must not be registered or must be declared invalid, will continue to be refused or to be declared invalid for the whole territory of the European Union after Hungary's accession, too. This latter principle will

⁶² Paul Maier: The CTM and Enlargement, Presentation at the INTA Meeting in Alicante, 2002

be applied irrespective of the fact that some presently existing absolute grounds in question might somehow be related to Hungary.

Earlier Rights in the New Member States

The owners of earlier registered and unregistered rights in the new member states may prevent the use of an extended CTM within their territory from the date of accession. Earlier registered rights are rights which were registered or applied for in the relevant new member state before accession or which claim priority from a pre-accession application. Earlier unregistered rights are rights which were used or established in the general course of trade before the accession. Sec. 107 of the CTMR also enables the owners of earlier rights of local importance to oppose the use of a CTM in the area in which this earlier right is protected, insofar as this is permissible under the law of the relevant new member state.

The owners of earlier CTMs cannot prevent the use of intellectual property rights already existing in the new member states before accession. In particular, they are exposed to the risk of third parties registering national trade marks in the acceding countries before accession, in order to prevent use of the extended CTMs in the accession area after enlargement, or to offer them for sale to the CTM owners. To discourage such bad-faith registrations, it was agreed during the accession negotiations that the owners of earlier rights should be prevented from challenging the use of a CTM in the relevant member state if the earlier rights are themselves invalid or liable to challenge or have been acquired in bad faith. However, there is still disagreement as to the conditions under which bad faith will be assumed. A non-binding agreement has been concluded, according to which OHIM and the national trade mark offices will exchange information for the purpose of recognizing conflicts at an early stage and, in particular, enabling the owners of CTMs to investigate as quickly as possible whether national applications were made in bad faith – Sec. 3(1)c of the Hungarian Trade mark Act (1997) excludes from protection marks registration of which was applied for in bad faith.

Some CTM owners are now looking at whether to create earlier rights in the acceding countries by registering their marks at the relevant national trade mark registries in order to avoid the possibility of having to buy their own trade marks from third parties. This is a pragmatic approach which recognizes the difficulties involved in proving that an applicant was acting in bad faith, in circumstances where national courts may have a tendency to favour domestic trade mark owners. Trade mark protection in the acceding countries can be achieved by relatively inexpensive local filings or by way of an international registration under the Madrid Convention or Protocol.

Earlier rights in the new member states will not confer the right to oppose a CTM registration, or to request its invalidation, except where the date of the application for registration of the CTM or, where relevant, the priority date, is within the six months immediately preceding accession. The objection can be filed before or after accession provided that (in the case of oppositions) the three-month opposition period has not expired. It will not be sufficient that the earlier rights exist at the date of the accession; they must actually predate the CTM application being challenged. The right to object will be excluded if the earlier right was acquired in bad faith.

In contrast, CTM owners have no right of objection against national trademarks which are registered in the new member states in the period pending accession. This is another reason to consider applying now to register one's marks in the acceding member states.

It might have become apparent that key to the operation of the whole extension mechanism is whether trademark rights are acquired in good or bad faith. Only those holders of earlier national trade marks or other earlier rights will be allowed to oppose the use of a given CTM in Hungary who have acquired those rights in good faith. In this context it seems to matter if the earlier national trade mark has priority date which is earlier than that of the CTM. If this is the case, the good faith of the applicant cannot be questioned only because of the mere existence of a later CTM. On the other hand, if a national trade mark is registered or applied for before the date of Hungary's EU accession but after the date of priority of a conflicting CTM, the question whether the applicant is acting in bad faith may become relevant and has to be examined.

Unlike the CTMR, which qualifies bad faith only as an absolute ground for invalidity, the Hungarian Trade mark Act provides for the possibility of filtering out such bad faith applications even in the registration procedure [Sec. 61(2a)] as the applicant's bad faith is not only an absolute ground for invalidity but also an absolute ground for refusal. Such bad faith filings can be challenged by CTM owners even at present, prior to Hungary's EU accession. Bad faith of the applicant cannot, however, be presumed by the Office. So, there is no presumption of bad faith under any circumstances.

As to remedies available for a CTM owner, reference should be made to the possibility of filing observations under Sec. 58 of the Hungarian Trade Mark Act. In respect of absolute grounds for refusal a mark, such as applying in bad faith, any person may file an observation with the Hungarian Patent Office stating that the sign or the application does not comply with the requirements of registrability. Observations have to be taken into consideration when the requirement referred to in them is examined [Sec. 58(3)]. The person filing the observation is not a party to the procedure. Nevertheless, he or she is notified of the outcome of his observation by the communication of the decision on the registration of the contested mark [Sec. 58(4)].

The Hungarian Patent Office carries out substantial examination as to all requirements of registrability. Therefore, *ex officio* examination includes examination as to applications made in bad faith, too. However, it must be noted that, under normal circumstances, the Office is not in a position to have information on the application having been made in bad faith in the course of the procedure unless an observation to such effect is made, as it is not possible under the Act for the Office to apply the presumption of bad faith application.

Since there is no possibility in Hungarian trade mark law for opposition, the only remedy apart from the observation is filing a request for the cancellation of the mark with the Hungarian Patent Office, as a bad faith application is also a ground for cancellation. (Cancellation may be requested only before the Office.) The decision taken by the three-member panel of the Office in the cancellation procedure may be challenged by requesting review by the Metropolitan Court.⁶³

⁶³ Mihály Ficsor: The extension of the Community Trade mark System to Hungary, Presentation at MARQUES Annual Conference, Budapest 2002

The Bill on the amendment of the Trade Mark Act No. XI of 1997 being in force is available now, according to which the opposition system will be enacted as of May 1, 2004. Bad faith filings will constitute legal grounds for opposition.

Legislative provisions relating to bad faith in Hungary

In the Hungarian Trademark Law, the „bad faith” provision was introduced in 1997 as the Trademark Law was harmonized with the European Directive No. 89/104/EEC.

According to Art. 3(1) (c) of the Trade Mark Act of 1997, effective as from 1 July 1997, it is an absolute ground for refusal/invalidity if the application/registration was applied in bad faith. No other „bad faith” provision can be found in the Act.

So, contrary to the CTM system, as I have explained before, the Hungarian Patent Office may reject an application filed in bad faith, either ex officio or upon observation filed by anybody.

After registration, anybody may request (*actio popularis*) the cancellation (invalidation) of a registration on the ground that the application was filed in bad faith.

In conformity with basic principles of Hungarian Civil Law, there is a presumption of good faith. Consequently, in application proceedings, the Patent Office shall substantiate, in the motivation of a rejection, why the applicant acted in bad faith and, in inter partes proceedings, the petitioner referring to bad faith shall provide evidence on applicant’s bad faith at the filing.

Court practice in „bad faith” cases

a) Griffin L.L.C., United States of America v. A.B.K.&K. Ltd. Hungary

A.B.K.&K. has owned trademark registration for the mark KOCIDE since as early as November of 1996. Griffin L.L.C. started a cancellation procedure with the Hungarian Patent Office, claiming cancellation of the mark on the basis of prior use, which dates back to 1985, as well as on the basis that A.B.K.&K. obtained registration in bad faith. The daughter company of the claimant has had business relations with the respondent, but in the view of A.B.K.&K. this does not satisfy the criteria of finding bad faith on its part. The Patent Office found that A.B.K.&K. acted in bad faith when filing the corresponding application because it was aware that either Griffin L.L.C. or its licensee(s) has rights in the mark, and the Patent Office was of the opinion that A A.B.K.&K’s intention was inevitably dishonest, which can justify the finding of bad faith.

The Patent Office cancelled the challenged trade mark of A.B.K.&K., against which decision the owner of the mark appealed to the Metropolitan Court, stating that the existing business relation with the daughter company of Griffin L.L.C. alone cannot be enough for finding bad faith.

Again, the Court found in favor of Griffin L.L.C., pointing out that the claimant proved A.B.K.&K. had a long-term business relationship with its daughter company and knew about the source and manufacturer of KOCIDE branded products. Therefore, obtaining trademark rights in its own name under such circumstances indicated that A.B.K.&K’s

conduct was lacking any honest intention, and that could be enough for a finding of bad faith.⁶⁴

b) Corel Corporation, Canada v. taktorWEST Ltd., Hungary

taktorWEST applied for and obtained registration for a combined mark „CorelDraw”, matching the combined mark of Corel, for the goods of particular interest to Corel, namely software, in particular graphical software. Corel submitted evidences with respect to use of the subject mark without registration for a number of years before taktorWEST obtained trade mark protection. taktorWEST did not respond to the request. The Patent Office found bad faith in conduct of taktorWEST when it applied for and obtained registration for the subject mark. The Patent Office asserted that filing the mark in a form that was identical to Corel’s trade mark indicated that taktorWEST had copied that subject mark, e.g., knew that somebody else has rights in the corresponding trade mark. The taktorWEST registration was cancelled and since no appeal was filed, the decision became final.⁶⁵

c) CHENSON Ltd., Hungary v. Sunnell Ltd., Hungary

Chenson Ltd. Has manufactured Chenson branded bags and backpacks since early 1990’s, while Sunnell Ltd. has been the distributor of such products in Hungary since 1992, buying those products through an intermediate dealer. Sunnell has obtained trademark protection of the mark Chenson in 1994.

Sunnell denied all allegations that it has obtained right in the mark in bad faith, asserting that since Chenson failed to register the mark, it had to do so, investing serious amount of money into promotion of such goods.

In the cancellation proceeding, Chenson submitted an invoice issued to Euronics, Inc. (the dealer through which Sunnell was buying the goods) on 1992 concerning Chenson branded goods.

Sunnell paid the invoice, which was sufficient to the Patent Office and also to the Metropolitan Court for finding in favour of complainant. It was asserted that by paying the invoice in the described way, Sunnell certainly knew where the goods originate from, who manufactures Chenson branded goods and who has trade mark rights in Chenson. It was found that Sunnell’s performance was in violation of basic civil law principles, according to which rights can be obtained only in good faith. It was also found that conduct opposite to good faith constitutes bad faith, which led to the cancellation of Sunnell’s mark.⁶⁶

⁶⁴ Decision No.3.Pk.23339/200 by the Metropolitan Court of Dec. 20.,2000, KOCIDE

⁶⁵ Decision No. M9304362 of the Hungarian Patent Office of May 30, 2001, CORELDOW

⁶⁶ Decision of the Metropolitan Court No. 3.Pk.22147/2000 of Dec. 1., 2000, CHENSON

IMITATION OF PICK SALAMI'S PACKAGE

According to a survey conducted in 2001, PICK has the highest esteem of any brand in Hungary.⁶⁷

If we recognize that Hungarian salami has a reputation throughout Europe that even decades ago foreign competitors imitated⁶⁸, it is obvious that PICK salami, the leading product amongst competing Hungarian meat trade companies, also has a significant place in the international marketplace.

To my knowledge, only Italian salami producers are notable competitors on the EU market. A significant difference between the two types of salami is that Hungarian salami is characterized by its paprika flavouring, whereas Italian salami flavored by red wine. Consumers can thus easily distinguish them and choose in line with their tastes and habits.

According to a survey conducted on behalf of the Hungarian Council of Intellectual Property Protection, PICK Szeged Salami Factory was one of the Hungarian companies to react most quickly to the challenges of market competition after privatization, including the successful use of trademark and competition law.⁶⁹ Moreover, where necessary, PICK also utilized criminal law, too.⁷⁰

The above discussion provides an appropriate starting point in order to illustrate the commercial and legal context⁷¹ for one particular proceeding by PICK Szeged Salami Factory, discussed below.

Facts of the case

The Metropolitan Court, proceeding as the court of first instance, established the following facts:

Since 1869 the plaintiff and his predecessor in title had been producing and trading PICK salami, a traditionally important and well-known Hungarian export product.

The salami in question was a product of an even thickness of 65 millimeters, furnished with a paper band tag and evenly covered with a layer of grey mildew. Formerly, it had been placed in the domestic market with the above detailed characteristic appearance but without any individual packaging.

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⁶⁷ Branded firms. Ed.: Ákos SIMON - Péter VASS. HVG. Budapest 2001, p. 125.

⁶⁸ The best known examples are the "Ungarische Salami" decisions of the Supreme Court of the Federal Republic of Germany. Cf. Dr. Sándor VIDA: Trademarks in the psychological and legal approaches. Budapest 1985, p. 190.

⁶⁹ The role of trademarks in consumers' protection. Working document. Budapest 2002, p. 7.

⁷⁰ The state attorney's office brought charges against some butchers working at the Markethall for the offence of misleading consumers through trademark infringement and the imitation of packaging. Dr. Mihály TÓTH: Economic crimes. Budapest 2001, p. 226.

⁷¹ Noémi MARKÓ: Trademarks and business strategies - The trademark policy of PICK Szeged Salami Factory. Trademark World 2002, vol. 2, p 21.

However, the product had long been put on the export market in a lithographic cellophane packaging. The packaging followed the shape of the salami, and in the middle there was an overprint of the national colours (red-white-green) identical with the shape of the band tag. The "PICK" label was in the white field, with a blue and white globe on its left and the lines of three golden coins slid on top of one another on the right. In the red field of the national tricolour overprint was the label "MADE IN HUNGARY" and in the green field there was the label "FONDÉE 1869" (i.e. established in 1869).

Below and above the band tag there was a 15-millimeter-wide band in the red, white and green of the tricolour that spirally ran over the salami, with spaces of about 4.5 centimeters between the spirals and slanting in an approximately 40-45-degree angle. In the white field of the spiral band there was the label "ORIGINAL PICK SALAMI".

In 1991 the PICK partners demanded that the plaintiff package the domestic product in the same way as the exported product. From that time on, the salami with the lithographic cellophane package was present in the domestic market, in a proportion of about 30-40 % in the plaintiff's showrooms and 5-10 % in other circulation. The proportion kept rising until 1995, when the said package became generally used.

The defendant's salami subject to the procedure was a similar salami product evenly covered with a layer of grayish white mildew. On the cellophane package of the product, a 15-millimeter-wide band in the red, white and green of the tricolour spirally ran around the salami, with spaces of 4.5 centimeters between the spirals, slanting in an approximately 40-45-degree angle. In the white field of the spiral tag there were the terms "ECHT UNGARISCHE SALAMI". Two spirals in the colours of the national tricolour were replaced by a parallel tag consisting of stylized salami shapes. In this frame of the national tricolour and a background of green and white stripes there was the labeling of the SOLAMI company.

The above-described packaging followed the shape of the salami, and in its middle there was a 50x190 millimeter round edged tag in green with a border in the national tricolour and the label "NEMES SZALÁMI" ("noble salami") and "KORONA" ("crown") and the emblem of the SOLAMI company.

The plaintiff claimed the condemnation of the defendant for unfair market conduct.

The decision of first instance

According to the opinion of the Metropolitan Court, condemning the defendant, there was no doubt that the parties were competitors. The defendant had not contended that PICK salami was sold in the lithographic cellophane package designed for export. He had stated, however, that the scope of the law did not extend to the evaluation of a circumstance prevailing outside Hungary; therefore the packaging used for export had no significance in the procedure.

The plaintiff proved, by means of documents and witnesses, that he had been present and had become well-known in the domestic market with the package in question before the defendant had entered the market.

From an in-house document dated 19 April 1991 by the plaintiff's production and sales manager, it could be concluded that by that time demand had risen for the domestic use of the decorative package used for export and such demand had been satisfied by the plaintiff.

In accordance with the above, the documents dated 10 and 15 October 1991 could appropriately support that the lithographic package had already been in domestic use in 1991.

Further documents suggested use in 1992.

Another document reported on the sales of goods sold in the PICK showroom, including the salami set with the cellophane package.

Such data suggested a great turnover.

The court heard witnesses on this issue, whose oral evidence satisfactorily supported that where "cellophane" or "export" package were mentioned in documentation or correspondence, they invariably meant the decorative package with the spirally running band tag in the national tricolour.

The court also examined whether the proportion of the salami in the lithographic package in the defendant's turnover had been high enough to qualify as "well known." Mrs. Gabriella Tótkés, who was employed by the plaintiff as a domestic distributor from September 1987 to March 1993, testified that the product in the cellophane package had been on sale first in the showrooms and later in other shops selling PICK salami. According to her rectified testimony, the turnover of the product in the special package was about 30-40 % in the showrooms.

Witness Mrs. István Kopasz, employed by the plaintiff since 1969 and as a domestic sales manager since 1991, knew in what proportion and packaging the plaintiff had sold his products. She said that at the beginning there had been domestic demand for the decorative package for gifts, the turnover of which she estimated 5-10 %, and that this quantity had significantly changed when the first Metro Supermarket opened in August 1994 near Budapest, in Budaörs.

On the basis of the evaluation and deliberation of the above evidence, the court established that a circle of domestic consumers could have encountered the particular decorative package of this well-known product in the shops of hotels and airports or on trips abroad, and they could have noticed and identified it.

Since 1991 the PICK salami in the lithographic cellophane package had been gradually and increasingly present on the domestic market; therefore, by 1994, its packaging material with the national tricolour band had become known in Hungary and, by the beginning of 1995, the use of the cellophane package, which replaced the traditional one, had become generally used (underlying by me).

The court also examined how long the defendant had been using the relevant packaging material in Hungary.

Document A/8 submitted by the defendant demonstrated that the defendant ordered the overprinted cellophane that he intended to use at the end of 1994, the delivery of which was due at the beginning of 1995.

As the sample packaging material to be manufactured was attached to that order, it may be reasonably presumed that the defendant had not been present on the domestic market with any salami in that package before January 1995.

Summarizing the above detailed evidence, the court established that the defendant had introduced his salami product in the cellophane package only after the plaintiff's packaged salami product had become known.

The Metropolitan Court also examined whether the lithographic cellophane package of the plaintiff's PICK salami could qualify as characteristic (underlying by me).

The packaging material in question was cellophane, through which the underlying product, the plaintiff's salami covered with grayish white mildew, showed. On the cellophane, the band in national tricolour spirally ran over the whole salami. In the middle of the salami there was the band tag overprint in the national tricolour.

Such elements constitute the characteristics of the package, and the prominent one is the band motive because the other elements, such as the labeling in the white field of the band or the seals at the ends of the salami, did not predominate because of their size and place. They could only be noticed after more thorough examination.

Mere inspection of the products (or the photos thereof) shown by the parties could demonstrate these facts. But the statements of the "salami package test", a survey conducted by GfK-Hungaria Market Survey Institute and made part of the evidence by the court reinforced the same conclusion. On the basis of the survey, there was no doubt that the graphic element in question made the package of PICK salami characteristic and that the plaintiff's product was recognized on the basis of that element (3.P.28 041/1997).

The survey

In its decision, the Metropolitan Court dwelt on the evidence successfully used in a procedure against another competitor⁷² concerning whether the plaintiff's salami package is characteristic.

Namely the plaintiff had the relevant salami package surveyed by GfK Market Survey Institute in November and December 1996. During the survey, conducted in the form of interviews in shops, both the defendant's⁷³ and the plaintiff's salamis were shown. According to the test results, when salami with Budapest label was shown with the tag facing the interviewees, 48 % of them identified it as PICK salami, whereas when the interviewees could not see the emblem, 52 % of them did so. The final conclusion of the survey was that approximately three-quarters, i.e. 72 % of the consumers associated the band in the national tricolour with PICK salami, which was recognized by consumers by both the band motive in the national tricolour spirally running over on the cellophane and by the layer of mildew. The defendant challenged the statements of the market survey.

The court⁷⁴ thus appointed Budapest University of Economics, Institute of Marketing as expert to examine the methods used by GfK-Hungaria, the conclusions of the survey and the effect on consumers of the defendant's and plaintiff's packaging of their products. According to this second expert's opinion, the method used by GfK-Hungaria complied with internationally

⁷² Somogy County Court 2. G. 40 006/1999; Supreme Court Pf. IV. 25 208/1999.

⁷³ When reporting on the market survey "defendant" means the defendant of the analogous procedure (Somogy County Court).

⁷⁴ "The court" here similarly means Somogy County Court.

approved methods used in similar polls, the facts established by the survey were well founded, the conclusions drawn therefrom were sound, the technique of data collection and the composition of the relevant group of interviewees were appropriate, and the evaluation of facts and the drawing of conclusions had been objective. The second expert's opinion points out that the plaintiff's package qualifies as having characteristic appearance on the Hungarian market, which is reinforced by the replies of 72 % of the interviewees. Moreover, the likelihood of confusion of the two products is based on the band motive in the national tricolour spirally running over.

The defendant did not accept the second expert's opinion either and requested the appointment of another expert. The court heard the second expert again, who did not change his opinion. He pointed out that the characteristic feature of the plaintiff's package was the band motive, which is reinforced by the correct survey of GfK-Hungaria. Consumers did not normally pay much attention to the emblem, and the emblem was capable of distinction where it was widely known by consumers with respect to both products. Such consumer knowledge, however, was true in the present case only with respect to the plaintiff's product. Consumers knew the plaintiff's emblem and name, and they linked them to the characteristic package with the band motive in red, white and green. Consumers made their choices on a superficial impression at first sight and did not thoroughly examine products. Consequently, they could confuse the two products, a conclusion confirmed by the market survey. The second expert gave clear and decisive replies to the defendant's questions and pointed out that, in marketing practice, the nature of the packaging material determined whether the package should be shown to interviewees with or without the product therein. In the case of a transparent packaging material, showing the package with the product therein was expedient; therefore the survey, which used such a method, had been appropriate. He referred that even though salami could indeed be sold either in whole or in slices, consumers were obviously affected by the whole salamis generally placed behind the sliced product on the counter. The second expert's opinion mentioned that the instructions contained in the questionnaire were design to excluded potential influence over the interviewees by the interviewer. He pointed out that 998 persons had been involved in the interviews. In market surveying practice that number of interviewees allowed the drawing of well founded conclusions. As the scope of the survey covered consumers who bought salami, there was no need for sampling the entire range and composition of the population, and the sample used in the survey satisfied the professional requirements of internationally applied methods.

Decision of the Supreme Court

The Supreme Court rejected the defendant's appeal.

In the opinion, the Court began with Sec. 6 of the Act on Unfair Competition⁷⁵, which prohibits a party from producing or putting on the market a product in a characteristic package that consumers recognize as a competitor's product without the consent of the competitor.

⁷⁵ Law LVII of 1996 on the prohibition of unfair market practices and the restriction of competition, as amended by Law CXXXVIII of 2000.

There was no doubt, as the court of first instance correctly stated, that the parties were competitors. On the basis of the documents and the witnesses' statements, the court of first instance had soundly stated that the cylindrical PICK salami in the characteristic cellophane package had been known to Hungarian consumers, regardless of the fact that before 1995 the plaintiff had not marketed that product in such a package domestically. Considering that, the court of first instance had soundly stated that the plaintiff had put the product in the characteristic package on the domestic market earlier than the defendant. Consequently it had no decisive importance whether the defendant had entered the market with his salami called "KORONA" in 1994 or only one year later.

The cellophane package of the cylindrical salami traded by the plaintiff basically had two characteristic elements that were decisive in relation to the recognition of the product: the layer of mildew covering the salami and the thin band in the national tricolour spirally running over the product. Those two elements decisively contributed to the identification and recognition by consumers of the packaged salami product. The statement of the decision of first instance that consumers associated that characteristic package with the plaintiff's product was therefore correct.

The defendant also traded his similarly cylindrical and mildew covered salami product in cellophane package. The motive used on that product, essentially the same as the plaintiff's band motive as to its size, place and colouring, gave the defendant's product an appearance that made it similar to the plaintiff's product and thus the two products could be confused by consumers (underlying by me). That conclusion was decisive in the issue of passing off and could be stated without reservation on the basis of the photos submitted by the plaintiff. The conclusion was further reinforced by the market survey conducted according to professionally appropriate methods that had drawn the same conclusions from its results. Under Sec. 6 of the Code of Civil Procedure, the expert's opinions could be evaluated as evidence, regardless of the fact that the defendant had not been party to the procedure in which they had risen.

As the two products could be confused due to some characteristic elements, it had no decisive importance that the other elements were significantly different from each other. From the point of view of likelihood of confusion, the facts that the "KORONA" emblem on the defendant's product was different from the "PICK" emblem and that other elements used on the package were partly different were irrelevant. When perceiving the different emblems, consumers could draw the conclusion that "KORONA" was another product of the producer of the characteristic "PICK" salami (Pf. IV 25 648/1999).

Some comments

The decisions of the first and second instances are both thoroughly elaborated and I suppose some more general comments should be made by way of these persuasive decisions.

1. The defendant's conduct speaks for itself concerning the commercial value of the package in question: for if it did not exist, it would have been pointless to imitate it. The legal protection afforded by the courts indirectly expresses the same idea. The defendant was not exempted from the legal consequences of imitation by using the terms "SOLAMI" and

"KORONA" instead of the mark PICK used by the plaintiff, which did not change the character of the package that acquired secondary meaning.

2. The facts of the case are interesting also from a foreign trade perspective, illustrating the non-unique "reversed" process that took place also at Pick Szeged Salami Factory: developing and introducing the attractive and high standard package for export products and only subsequently using the packaging for domestically traded products, following the development of competition on the domestic market. In the EU market economy this process typically occurs in the reverse order, where the efficiency of new solutions is first tested on the domestic market and they are then used internationally or "globally" only if they have been successful domestically.

3. Legal practitioners should also note the procedural law standpoint according to which the courts of first and second instances both evaluated the results of the market survey as evidence. The court of first instance relied on the results of the market survey regarding whether the plaintiff's package was "characteristic" or "known", whereas the court of second instance evaluated the results as "reinforcing" other elements of evidence. I find this particularly noteworthy because not even ten years ago, in the procedure concerning the imitation of LEGO building blocks, another chamber of the Metropolitan Court "disregarded" the results of the market survey "without giving any reasons"⁷⁶ for doing so, and it was left to the Supreme Court to "sort out" the case. Moreover, as far as I know, this case was the first in which such evidence had been used before a domestic court by a Hungarian corporation. That is, of course, due to the representative on the one hand and the management of Pick Szeged Salami Factory, which paid the considerable expenses in acquiring such data, on the other hand.

⁷⁶ BH 1995/7/394 - Expressions enclosed in quotation marks occur in the reasons of the decisions.

**Protection of Industrial Property Rights by Criminal Law,
With Regard to the Civil Law Aspects of Infringement**

The new criminal legislation of Hungary regulates acts injurious to intellectual property in the framework of crimes against property; however, Sec. 296 of the Criminal Code (CC), within the scope of economic crimes, deals with the false indication of goods.

From among these provisions criminal consequences are established by

Sec. 329 under the title of infringement and

Sec. 329/D under the title of violation of industrial property rights.

Background legislation related to these criminal acts is found in specific laws on the particular intellectual property rights. Such laws provide for civil liability and the attached legal consequences related to infringement or violation of those rights. Liability under criminal law, the prerequisite of which is the establishment of required, additional factual elements as compared to civil liability, may exclusively be afforded within the boundaries of civil liability. Therefore it may raise difficulties in the application of law that criminal facts related to the crimes and the relevant background civil provisions do not always contain identical definitions.

I.

The definition of “infringement” under criminal law

Under the the acts of infringement contained in Section 329 CC, any person who indicates another’s intellectual creation as his own and thereby causes pecuniary detriment to the rightholder commits a crime. According to the definition of the CC in the application of this provision, ntellectual creation means literary, scientific and artistic creations, inventions, utility models, designs, topographies of microelectronic semiconductor products and innovations.

It is clear from these rules of law that the given definition is not in accordance with the definitions contained in the referred laws on the particular intellectual property rights and does not cover them in their entirety.

Act XXXIII of 1995 on the protection of inventions by patents (hereinafter referred to as Patents Act) distinguishes between two modes of infringement:

- *infringement of inventions*, where the subject matter of a patent application or a patent has been taken unlawfully from the invention of another person (Article 34 of the Patents Act);
- *patent infringement*, which is committed by any person who unlawfully exploits a patented invention (Sec. 35 of the Patents Act).

In accordance with the above, Sec. 18 and 19 of Act XXXVIII of 1991 on the protection of utility models and Sec.s 22-24 of Act XLVIII on the protection of designs distinguish between the infringement of the model/design and the infringement of protection granted thereto.

The criminal provision in question protects creators’ rights against the unlawful appropriation of the creation, and does not cover acts injurious of the exclusive rights attached and related to the creation (infringement).

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With regard to this particular definition of the CC, criminal provisions related to patent infringement, trademark infringement, the infringement of utility model protection, and the infringement of design protection are not present under the subtitle of infringement.

The reason for the lack of such terminological accord is that, from the time of the creation of the CC (Act IV of 1978) to the entry into force of Act CXX of 2000, only the misappropriation of intellectual property constituted a crime; no criminal law consequences were attached to acts violating the provided exclusive rights provided on the basis of intellectual property. Therefore patent infringement, trademark infringement and the infringement of utility model or design protection had no consequences under criminal law. That is how, until the amendment of the CC due to the requirements of the TRIPS Agreement, the term “infringement” was exclusively related to the misappropriation of the particular forms of intellectual property, and thus acts subsequently covered and comprised in Sec. 329/D, which attaches criminal law consequences to infringement according to civil law terminology, happened to be codified under a term different from the civil law definition, that is under the subtitle of violation of industrial property rights.

II.

Violation of industrial property rights

The crime defined under the subtitle of violation of industrial property rights was introduced to the Hungarian legislation by Act CXX of 1999 as Sec. 329/D CC. According to this any person who, through the imitation or taking over of the subject matter of protection, violates another’s right conferred by patent protection, utility model or design protection, the protection of a topography, a trademark or a geographical indication, and thereby causes pecuniary detriment, commits an offence. The Act qualifies acts as a crime where the violation of industrial property rights is committed in a business-like manner and causing a significant pecuniary detriment.

The substantial background to this provision of criminal law is contained in the particular laws on the listed industrial property rights. Such laws establish, by precise paraphrase, the *scope of the exclusive right of use* attached to the particular rights conferred, and qualify *infringement* acts that constitute

- *unlawful* exploitation of the patented invention;
- *unlawful* exploitation of the protected utility model or design;
- *unlawful* use of the trademark through violation of the owner’s exclusive rights.

Such laws establish the scope of the owner’s exclusive right of exploitation or use and they qualify any exploitation or use conflicting with that exclusive right infringement.

In contrast to this precise definition by the relevant laws and deferring to the terminological elements defined therein, Sec. 329/D CC does not indicate acts violating the protection of criminal law of the rights conferred by applying the same terms as the laws providing for those rights, but as violation through the imitation or taking over of the subject matter of protection.

Laws on the particular industrial property rights do not use either the term *imitation* or the term *taking over* either in the provisions establishing the scope of the exclusive right of exploitation or in relation to the infringement thereof.

In the application of this law it may give rise to complicated issues that, in the case of protection under criminal law, the CC contains terms differing from those of the laws providing for the basis of protection, more specifically, terms that do not occur in such basic laws.

This raises problems in the application of law particularly because, on the basis of analysing the origin of relevant legislation, the new category of crime introduced to our legal system by Sec. 329/D CC clearly aimed at the criminal prosecution of a certain circle of injuries specified by the particular industrial property laws in the case of the coexistence of additional criteria.

In addition to the above terminological differences in the drafting of the CC, the facts of law contained in the CC relating to the violation of industrial property rights give rise to several further questions in the application of law.

In respect of acts committed to the injury of industrial property rights, provisions concerning the establishment, maintenance, term, scope, definition and lapse of rights are contained in legislation on the particular industrial property rights.

Patent protection is not established by the creation of the invention but by the grant of patent protection by the authority with retroactive effect to the filing date of the patent application. Therefore there is a period between the application and its publication when the person applying the solution cannot have possibly become aware that the solution applied by him was protected by the patent and that he committed patent infringement. However, his liability under civil law exists also in this case, since patent protection is granted with retroactive effect to the filing date of the application.

The scope of the protected subject matter as indicated by the applicant is not known either, and many times the applicant obtains protection in a scope narrower than that specified in the application.

This is referred to by the AIPPI Resolution Q 169, which states that, in cases of the infringement of patent or utility model protection, the technical and legal complexity of the definition of infringement is to be given great consideration in establishing liability under criminal law.

The scope of protection is determined by the claims. Patent protection covers any product or process in which all the characteristics of the claim are embodied. In infringement proceedings, whether the claims are embodied in the injurious product or process is often a contested issue. Special difficulties arise in the case of so-called equivalent solutions. According to the statutory definition, the terms of the claims shall not be confined to their strict literal wording; neither shall the claims be considered mere guidelines for a person skilled in the art to determine the claimed invention. (Sec. 29(3) of the Patents Act)

The evaluation of the issue is even more complicated in the case of process patents [Sec. 19(7) of the Patents Act]. Under the Patents Act, in the absence of proof to the contrary, a product shall be deemed to have been obtained by a patented process if the product is new and a substantial likelihood exists that the product was made by the patented process.

This provision of the Patents Act, on the basis of the legal presumption established for particular cases, places the burden of proof upon the person practicing the injurious solution.

The application of this provision is not in accordance with the basic principles of criminal procedure. Sec. 2 of Act I of 1973 on Criminal Procedures (CCP) establishes the presumption of innocence and the burden of proof in criminal cases is placed upon the proceeding authorities.

It follows from the comparison of these two provisions that, in the case of process patents, the legal presumption does not exempt the proceeding authorities from proving that the product was made by the patented process.

Furthermore there are cases where, upon any person's request, the patent is revoked by the Hungarian Patent Office with retroactive effect to the filing date of the application.

For this very reason it is usual that, in civil proceedings for infringement, the civil procedure is suspended until a decision is taken on prior questions where the defendant files a request for the revocation of the patent. The suspension normally occurs unless the defendant's request is obviously aimed at hindering the civil procedure.

The above issue has additional significance in cases of infringement of utility model protection because utility model protection is granted without substantial examination of the application.

Moreover there may be cases where proceedings for infringement are started against a person having rights of prior use and against whom patent protection has no effect in relation to the extent of making, using or preparation existing at the priority date. The Metropolitan Court has exclusive jurisdiction and competence in proceedings concerning the establishment of prior user rights.

The above quoted AIPPI Resolution also emphasises that, in the case of infringements of intellectual property rights, liability under criminal law may only be established if the perpetrator acts with the intent to perpetrate the act and is aware that the act is unlawful, or is unaware of acting unlawfully due to gross negligence.

The precise definition of the scope of patent protection is an inevitable requirement for which the most thorough and special professional knowledge is needed. Therefore the Patents Act refers the judgment of such questions to the exclusive jurisdiction of the industrial property panel of the Metropolitan Court.

It is clear from the above that the judgment of criminal liability may be dependent on judgment on prior questions on issues for which neither the investigating authorities nor the criminal courts are prepared.

A patent grants a monopoly right to the holder; therefore, the scope of such monopoly right may only be established with appropriate proficiency. No interpretation of the monopoly right may be allowed whereby the holder could possibly prevent others from applying technical solutions already in the public domain. Therefore it may not be allowed that an act, conflicting only with a virtually existing monopoly right which was granted inappropriately and can actually be considered a permitted solution, can incur criminal law consequences.

The scope of these legally debated questions relating to the patent can only be revealed in the course of the contradictory procedure provided for by law, pursued in the framework of civil procedure.

I refer again to the Resolution Q 169 of AIPPI, stating that the person accused for patent infringement is entitled to challenge, in his defence, the validity of the industrial property right. According to the standpoint of the Resolution the court must suspend its decision, or the criminal procedure itself, in respect of the infringement until there is a final decision by the competent authorities concerning the protection of the intellectual property right.

In my view, where the establishment of violation of an industrial property right is dependent on the judgment of a prior question of civil law, the court proceeding in the criminal case may be decided prior to such judgment only where the accused does not challenge the establishment of the intellectual property right and where he imitated a product simply by coarse copying or, having become aware of a process applied by the patent holder, he took it over identically in the course of his own process.

III.

The relationship of civil and criminal proceedings in patent infringement matters

It may be stated on the basis of the above that patent infringement or any unlawful act injurious to the patent may be examined by both the civil and the criminal courts.

It is thus important to analyse how the collision of these two procedures are formed, i.e. how the judicial standpoint taken in the course of the criminal procedure affects the judgment of the civil matter, and to what extent the decision taken in the civil procedure affects the criminal procedure.

Section 14 of the CCP addresses the questions of whether the accused has or has not committed a crime, and, if yes, what kind of crime. This section states that the authority proceeding in the criminal matter is not bound by the final decision taken in a civil procedure or by the facts established therein.

According to this the court therefore examines independently if the injury grounding criminal liability may be established.

Under Sec. 9(1) of the Code of Civil Procedure the substantial law consequences of the crime on which a final decision has been taken must be decided upon in a civil procedure; the court may not establish in its decision that the condemned did not commit the crime in question.

It follows from all this that if there happens to be parallel judgment in respect of an act, the criminal procedure is independent. In contrast, in civil proceedings, the question of the commitment of a crime may not be examined again in the course of the civil procedure where the commitment of the crime has been established by the criminal court.

Therefore, even though Sec. 14 of the CCP establishes the principle of independent judgment of liability under criminal law, that provision may not apply in cases where injury is done to a right the existence of which is provided for by protection established as an absolute right granted with effect to everybody and precisely specified as to its contents, and the establishment and scope of that right may later become disputed.

Under Sec. 137(1)(b) of the CCP the investigation must be suspended where the judgment of the act depends on a prior question falling within the jurisdiction of a court or another authority.

It is beyond dispute that questions relating to the validity of the patent or the clarification prior user rights fall within the exclusive jurisdiction of the Metropolitan Court as specified in the Patents Act.

Under Sec. 169(1) of the CCP the court may suspend proceedings in the case specified in Sec. 137(1) of the CCP.

According to Sec. 169(2) of the CCP, the prior question is usually judged by the court itself. If the application of criminal law is dependent on a circumstance relating to personal status in respect of which the decision of the court proceeding in the civil matter is effective for everybody, the procedure must be suspended until the decision of such court becomes final. Whereas if the civil procedure is not yet in process, the interested parties must be invited, with the specification of an appropriate time limit, to initiate it.

The CCP thus only provides for the obligatory suspension of the criminal procedure until the prior question is decided where such question is dependent on a circumstance relating to personal status in respect of which the decision of the court proceeding in the civil matter is effective for everybody.

Therefore the law provides for two prerequisites with respect to obligatory suspension: personal status and the decision of the civil court being effective for everybody.

The rationale of the provision requiring the obligatory suspension of proceedings may be applicable to patents and other industrial property rights as well because, with respect to the establishment and scope of or rights conferred by patents or other industrial property protection, decisions of the Hungarian Patent Office or court proceedings in civil matters are effective for everybody, as it contains provisions effective for everybody as to the establishment and scope of patent protection.

Consequently, if the establishment of patent protection, and thus the commitment of a crime, are disputed in the course of the criminal procedure, suspension is a requirement in the framework of constitutionality.

IV.

Trademark Infringement

Also in the case of unlawful acts that injure industrial property rights, special attention must be paid to the question of the establishment or scope of the injured right, where disputed by the accused, as judged by the Hungarian Patent Office or the court having jurisdiction and not in the framework of the criminal procedure.

It often happens in civil proceedings for trademark infringement that the defendant

- starts proceedings for the cancellation of the trademark because he has due grounds that protection should not have been granted at the time of the registration of the trademark, or
- requests the declaration of lapse of trademark protection by reason of non-use the mark, the mark's loss of distinctive character or the mark becoming deceptive.

Therefore the person accused of a crime must be given an opportunity to start proceedings for the cancellation of the trademark or the declaration of lapse of trademark protection for these reasons.

It must be made possible for these questions to be clarified exclusively in the framework of opposition procedures specified by the Trademarks Act by expert employees of the Hungarian Patent Office or, in the case of a request for the review of its decision, the panel of the Metropolitan Court, having significant professional experience.

In all these regards there is a ground for the suspension of the criminal procedure until there is a judgment as to such prior questions.

Where, in the course of the criminal examination, a question arises regarding the prior judgment that falls within the jurisdiction of the Minister of Commerce according to the above, the criminal court must communicate the relevant information and request that the said minister decide the prior question. The criminal court also must suspend its proceedings until a decision is made.

Where, in the framework of the criminal procedure, the court establishes unauthorised imitation or taking over in respect of the trademark under Sec. 329/D CC, the necessity obviously follows that the court should examine the question of the establishment of imitation at least to the same extent as when the court examines in the framework of the civil proceedings for infringement whether the injurious sign actually conflicts with the trademark and whether the liability to create confusion is of such a degree that grounds infringement in itself. On the basis of Sec. 329/D imitation or taking over established in the framework of the criminal procedure may not extend beyond the scope of established trademark infringement. Civil law liability is attached to trademark infringement on an objective basis, which must be accompanied by the subjective criteria as to guiltiness in the case of a crime.

It is known from civil law practice serious difficulties arise in the judgment of whether a sign which is similar to the trademark or which allows association with the trademark is liable to create confusion to such an extent that it may be qualified infringement. It often happens that the standpoints of the courts of first and second instances in civil matters differ on the question of liability for creating confusion because of the naturally subjective considerations involved. This excludes the case of any sign liable to create confusion in general that does not constitute infringement from establishing imitation or taking over as a matter of criminal law.

Furthermore the question arises whether criminal law liability may be established under imitation or taking over where the trademark is applied on a product that is not at least similar to the class of goods in respect of which the trademark is registered and the sign in question is not provided special protection due to being well known or famous.

In the above I wish to point out that also, with respect to trademarks, it is of crucial importance before criminal liability is established that, if the validity of the protected trademark is challenged, the relevant procedure related thereto should be pursued by the authorities having jurisdiction, and there should be no criminal liability where there is no civil trademark infringement.

V.

Conclusions

Summarising the above I draw the following conclusions:

On the basis of the experience of the past decades States members to the TRIPS Agreement established the requirement that protection under criminal law must be provided against wilful commercial scale trademark imitation and acts of copyright pirating injurious to intellectual property rights.

In addition to the above requirement, domestic legislation, in accordance with the recommendation of the TRIPS Agreement optionally applicable for member States, made it possible to prevent acts injuring industrial property rights or copyright by means of claiming criminal law liability.

Thus, there may be criminal law consequences in the case of acts that only incurred civil law consequences before the entry into force of the Act CXX of 2000.

The introduction of criminal law protection for intellectual property, beyond the extent where criminal law consequences are required for the protection of public interest or due to the significance and gravity or the course and constant character of commitment, may not lead to wide range criminalisation surpassing the civil law remedies against injuries related to intellectual property.

Prudent application of law, placing special emphasis on the balanced evaluation of the circumstances of the case, is needed for the case by case judgment as to whether the gravity of peril for society of the given acts surpasses the point where the application of civil law consequences is no longer sufficient.

In the specification of such a threshold, it may also be considered that, in respect of the criminal sanctions related to acts committed to the injury of industrial property rights businesslike commitment and commitment in respect of a significant value, the factors which are the legal prerequisites for commitment to qualify crime under the TRIPS Agreement, are qualified as aggravating circumstances by the CC.

Considering the above I mention the following from the law making aspect:

- a) It would be justified in the course of codification on the law of criminal procedure currently under way if the new law provided for a ground for obligatory suspension in the course of both the investigation and the court procedure where, in the course of either the investigation or the court procedure, the establishment or validity of the basic right or the scope of protection becomes disputed on the basis of the defence of the accused. In such questions it must be made possible prior to the decision taken in the criminal procedure that the competent authorities, the Hungarian Patent Office or the courts, take a decision effective for everybody in respect of the challenged right.
- b) As to criminal codification, the endeavour is justified that, in the legal facts of crimes committed to the injury of intellectual property, the elements of facts contain definitions identical with those of civil law legislation which serve as the background of protection.

On the Threshold of an Innovation Act: development of the institutional characteristics of Hungary's National System of Innovation from the change of the political system until today***

Introduction

At the end of the 1980s Hungary – like other Central Eastern European countries – spent 2% of its GDP of about USD 3,000 per person on R&D expenditures, and fell in the category of countries with “relatively high” expenditure on innovation considering international standards. However, this relatively high proportion did not represent the individual players’ market-based expenditures of their own choice, as in centralized socialist planned economy there was a constant, state-controlled cooperation between state-owned big companies and publicly financed research institutes. The fragility of the system is also shown by the fact that at the beginning of the 90s, as a consequence of the privatization process, the relative proportion of R&D expenditures decreased to half of the former proportion (this figure was 1% in 1991), and – with some slight fluctuation – has stagnated around there ever since. As a result of the fact that going abroad became easier, brain drain increased, while the lack of secure state orders and the possibility of free enterprises lead to an annual 20-30% decrease in the number of R&D employees by the turn of the 80s, and in 1992 this number was hardly higher (24,192) than half of 1988’s figure (45,069) (Balázs 1994, Papanek 1999).

Accordingly, governments after the political changes had and still have to face the task of creating a modern national system of innovation. For this task, it was necessary to stop the emigration of qualified workforce, to encourage the participation of private capital in innovation processes and to establish a legal framework corresponding to the requirements of the 21st century.

At the zenith of this work, on the eve of Hungary’s accession to the European Union, the preparation of an independent innovation act is presently under way. This paper describes the road taken by the changes of innovation organizations and legal institutes in the past decade leading up to this point.

**Changes of the Innovation Institutional System
over the Past Decade**

It would be impossible to list one by one the numerous changes that took place in the institutional structure over the past decade partly because of the lack of space. That is why only

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the changes of major importance are introduced here that transformed the R&D institutional system significantly over the past decade.

At the beginning of the 90s, the innovation system was basically a dual system in which basic research and technological development were well separated regarding both the responsible organization and the primary financial resources. The Science Policy Committee established the relation between the two, and it also realized the integration of sub-systems into science policy. This organization operated under the control of a minister without portfolio and the heads of the two sub-system, the President of the Hungarian Academy of Sciences, the National Committee for Technical Development (NCTD), the Minister of Culture and Education and the Minister of Finance were among its members. The responsibilities of the Science Policy Committee included drawing up the country's R&D policy and presenting it to the Government. The Science Policy Council helped the Committee's work of strategy making. This organization – having similar structure to that of the Committee – coordinated work aiming at completing different analyses of technology policy and technology economy, and later on at presenting the results of these to the Science Policy Committee in a properly synthesized form.

The main repository of the country's basic research was the Hungarian Academy of Sciences (HAS), founded in 1825. After the Second World War HAS came under direct governmental control, so its activity and personal policy fell under the immediate power and supervision of the previous state-party's Central Committee. Following the change of the political system, in 1991 a legislative process resulted in HAS regaining its independence and becoming both the essential accredited and acknowledged supporter of basic research and the most important player of the shaping science policy. The independent Academic Act, passed in 1992, defined HAS as a public body, gave back its organizational independence and defined the rights of the organization in terms of research infrastructure.

Another important keystone of the Hungarian national innovation institutional system was the National Committee for Technical Development (NCTD). Compared to Central Eastern European countries, Hungary made an unusually fast commitment to technological development, since NCTD was founded in 1964. Since Hungary has no independent ministry dealing with scientific research and technological development, this organization assumed an important role in shaping technology policy. Furthermore, after 1990 NCTD also supervised the National Technical Development Fund (NTDF), the body that even today is the most significant source of grants in Hungary's applied research.

Considering the expansion of the institutional system, the most important change took place in 1992, when the Government decided to found the Zoltán Bay Foundation for Applied Research. In the following year the Foundation started drawing up an applied R&D institution network following the example of the German Fraunhofer network. In its framework three institutes operate at present: the Research Centre for Solid Bodies in Budapest, the Biological Research Center in Szeged and the Logistics Research Center in Miskolc.

The most important change regarding the status of the institutes – except for the Academic Act already mentioned above – occurred in 1999, when NTDC was integrated within the organization of the Ministry of Education and, losing its former freedom, continued operation

as the Deputy State Secretariat of Research and Development. However, the function of the organization did not undergo major changes, as it remained the ultimate coordinator of applied research and technical development as well as the handler of relevant grants and applications.

The shortcomings of the NTDF, the most important resource of applied research, have already been mentioned. Upon recognizing the problem of competition among the different fields and areas of research, the Government – after the already defined infocommunicational research projects – in 2000 published further special grants designed for applied research projects in the fields of biotechnology and environment protection (Havas 2001). In other fields of sciences projects still had to compete with one another for financing until 2003, when, instead of a “mixed” grant, a thematic financing scheme containing 7 elements was designed.

In the field of applied research, NTDF supports applied research through a competitive “call for proposal” system. Its goals are defined by the Government Regulation 252/2002 (XII.5.) as promoting technological innovation, development of R&D infrastructure, and the dissemination and economic application of development results. The main ongoing calls for proposals supporting business R&D are as follows:

- (i) promotion of applied research, calls for proposals in applied research,
- (ii) information and communication technologies,
- (iii) biotechnological research activities,
- (iv) environmental research activities,
- (v) support to the establishment of co-operative research centres (CRCs), and
- (vi) support investments related to applied research development activities in high technology.

This scheme, aside from the already existing three specific elements, aims at financing projects in the fields of materials science, electronics, energetics and transportation (www.om.hu).

In 2001 a completely new element emerged among the sources for financing research. In order to encourage research collaborations between publicly financed research centers and private companies, as well as to increase the interest of private capital in R&D processes, in 2001 the Government announced its National Research and Development Program within the framework of the monumental Széchenyi Plan. (The Széchenyi Plan is a comprehensive scheme designed to help economic development, even the drafted introduction of which would extend the limits of the present paper.) Within this scheme, state-financed research institutes and private companies could jointly – in the form of a consortium – apply for the published resources. The minimum project size was HUF 100 million and projects based on a wide range of collaborations were in an advantageous position.

In order to support large research, development and innovation projects, the Government has taken a decision in its Resolution 1073/2000 (VIII. 31.) on launching the National R&D Programmes (NRDPs). The calls for proposals in the framework of the NRDPs were launched of in the following five fields:

- (i) improving the quality of life,
- (ii) information and communication technologies,
- (iii) environmental and materials science,

- (iv) research on agribusiness and biotechnology,
- (v) research on the national heritage and contemporary social challenges.

New Elements of the National System of Innovation

In recent years, the modified status of NCTD and its complex operation have been the subject of continued debates among a wide range of experts involved in innovation processes. Its position and varying duties within the administration did not allow for suitable governmental coordination and efficient work; therefore, in certain areas – like in the field of encouraging the creation of a more successful technology transfer organizational system or spin-off companies – it was unable to achieve the desired performance. After studying the experience it has accumulated since the change of the political system and the institutional structure of other countries, in 2003 the cabinet – in harmony with the planned Innovation Act – decided that, in order to solve the above-mentioned problems, it was time to develop a new institutional system of innovation (2003).

The new national system of innovation includes several new organizational elements that are fundamentally different from the structures used so far, such as establishing a national innovation agency and setting up regional innovation agencies. It is of high importance that the NTDC will be separate from the Ministry of Education and, getting back its former freedom, will continue its operation as an independent administrative institution with nation-wide authority.

Contrary to the formally known dual system, the new innovation system assumes a structure based on three pillars. The former division of basic and applied research is replaced by these three pillars responsible for science policy, technology policy and for the realization of the National Research and Development Program. In terms of its content – as can be seen later on – in fact, it means coordinating separately the three now distinct areas of academic research, university research, and technical development. The Innovation Policy Cabinet, a new coordinating organization that plays a direct preparatory role both in allocating relevant budgetary resources and in shaping the necessary legal framework, now oversees the operation of the innovation system. This body operates with professional advisory committees.

As the first step, based on the 1033/2003 (IV. 18.) Government Resolution, the Science and Technology Policy Council was founded as an advisory and decision preparatory body on ideas relating to scientific research, technological development and innovation. The Council is responsible for coordinating the most important tasks of science and technology policy. The president of the council is the Prime Minister. Its deputy presidents are the Minister of Education and the president of the Hungarian Academy of Sciences. Its members are – among others – the following ministers: the Minister of Economic Affairs, the Minister of Transport, the Minister of Communications and Information, the Minister of Environment, the Minister of Finance etc. as well as the president of Higher Education Science Council (to be mentioned later) and the president of the Science and Technology Policy Advisory Committee (a committee for consultation, preparation of decision making, co-ordination and evaluation founded to help the fulfilment of state duties accomplished by the Council).

According to the Government's conception, a brand new element emerges in the Hungarian national system of innovation: the National Innovation Agency (NIA), which would operate as a public utility organization under the strategic direction of the Office of the Prime Minister. In countries with developed traditions in the field of innovation, this organization is well known. For example, France's ANVAR or Finland's TEKES plays a similar role in those countries. The most important responsibilities of NIA would be as follows:

- (i) innovation consultation (with ministers and the Government),
- (ii) promoting coordination regarding governmental tasks concerning innovation,
- (iii) mediating innovation achievements among the various sectors of economy,
- (iv) operating the system of innovation tenders,
- (v) maintaining and developing the international relations of R&D,
- (vi) following and monitoring the effects of R&D activities, and
- (vii) communication of the innovation.

According to governmental ideas, regional innovation agencies can be regarded as an extension of NIA. With their operation based on a shared information base and methodology and by using their closeness to regional innovation events and embeddedness in the region, these institutions can help local innovation processes more efficiently, and can at the same time function as the regional contact offices of the EU 6th Framework Programme. Based on the preliminary concepts, setting up new agencies might not be necessary at the regional level, as their tasks can be carried out by the already existing numerous innovation centers or institutes dealing with innovation-oriented development (industrial parks and incubation centers).

In the following, we shall present some of the main elements of the conception of the Bill on the Research and Development and Technological Innovation (in the following: Innovation Bill).

The conception of the Innovation Bill is in line with the constitutional principles relating to the science and technology laid down in Articles 35 and 70/G of the Constitution of the Republic of Hungary (Act XX of 1949, amended several times). According to Art. 35 of the Constitution, the Government shall define the tasks of the science and the technology-development sectors and provide necessary resources to achieve the above-mentioned tasks. (Art. 70/G of the Constitution declares that the Republic of Hungary recognizes the freedom of academe.)

Based on the principles of the Constitution, the scope of the conception of the Innovation Bill relates to research and development, utilization of achievements, promoting and supporting innovation based on said achievements, and elaborating the circumstances supporting the innovation. The scope of the conception of the Innovation Bill extends to the public sector, the non-profit sphere, business organizations and natural persons.

The conception of the Innovation Bill provides for the governmental division of labour in the field of promoting innovation. In this framework, the Government – among other tasks – shall elaborate a mid-term science, technology and innovation policy. The policy shall be revised bi-yearly. The Government shall establish and run the institutional background functioning in budgetary R&D system that supports and promotes the establishment and development of non-

profit research units. (Similarly to the tasks of the Government, the conception of the Innovation Bill defines the tasks of the ministries in the field of R&D and innovation.)

According to the conception, the Innovation Bill determines the legal status of the National Research and Technology Office.

As to the financing of R&D according to the Innovation Act the following R&D activities will be financed by the annual budget:

- (i) basic funds of the research units functioning in the budgetary system, and normative financing of the R&D activity of the higher educational institutions,
- (ii) sources of appropriations for calls for proposals in basic research,
- (iii) sources for supporting the public bodies and non-profit organizations engaged in S&T and innovation, and
- (iv) sources necessary for performing the international obligations of the Republic of Hungary.

The conception of the Innovation Bill establishes the general rules of providing the financial support.

Within the framework developing human resources, the Innovation Bill contemplates students that are studying natural sciences (or technical sciences) should also acquire skills – among others – in the fields of business and industrial property protection. As for the management of intellectual property, the Innovation Act contemplates the elaboration of a separate financial support system for promoting the utilization of patents, utility models and designs. Research units operating in the budgetary system should be allowed to acquire ownership in spin-off undertakings. The conception of the Innovation Bill would also contain tax measures for promoting the innovative efforts.

The Innovation Act expectedly will come into force as from January 1, 2004.

Strategic-administrative governance of the innovation policy (ministries and organizations supervised directly by ministries)

As to the strategic-administrative matters relating to innovation, the Strategic Analysis and Planning Department of the Prime Minister's Office (which takes the level of ministry) has a separate department, called Innovation Department.

The objective of the Innovation Department is to design, prepare and implement the development of a national system of innovation in compliance with the Government decisions, including the tasks e.g. development of an information base, development and maintenance of liaison with media, PR-activity, organization of innovation-related events, development of social relations, establishing international relations and development and operation of inter-departmental co-ordination system.

On the governmental level, the Ministry of Education (MoE) is responsible for designing and implementing the Hungarian science and technology policy, for coordinating the competition-based research and development programmes and for promoting the international science and technology co-operation of Hungary. The Deputy State Secretariat of Research and Development (briefly: R&D Division; the legal successor of the National Committee for Technological Development) of the MoE has therefore the following responsibilities:

- (i) it prepares documents concerning the national science and technology policy, runs technology foresight programmes, prepares reports and reviews for promoting the acquisition and dissemination of new knowledge and information serving the Government's science and technology strategy in cooperation with social partners, non-governmental organizations (NGOs), industrial and professional associations,
- (ii) it represents the Government in the international field and in intergovernmental science and technology (S&T) organizations and programmes; it also organises and co-ordinates the Hungarian participation in such programmes. In this capacity, it is in charge of multi-lateral S&T co-operation and participates in the EU accession process.

The R&D Division manages the Central Technology Development Fund and pays the membership fees charged to Hungary for joining the EU R&D Framework Programmes. It also runs direct and indirect accompanying measures promoting the Hungarian participation in the Framework Programmes.

The head of the R&D Division supervises the National Technical Information Centre and Library (NTICL). NTICL collects and processes scientific, technical and economic information and provides information services partly as business, partly as non-profit activity.

The Bay Zoltán Foundation, which already has been mentioned above, is an institute suited to carry out efficient applied technological and scientific research and development. The Foundation operates as a non-profit organisation, and its research and development activity is carried out in the institutes that it has established and owns. The focus of operations at the institutes is the carrying out of applied research tasks.

The Foundation's highest strategic decision-making body in questions regarding management, R&D policy and the establishment or termination of institutes is the Board of Trustees. Furthermore, it is also responsible for the general supervision of the operation of the Foundation and its institutes, approving annual professional and business plans and supervising their implementation. The Scientific Council and the Senate are consultative bodies consisting of external specialists who assist the Board of Trustees and the Foundation. The total number of projects managed by the Foundation is around 100.

Besides the Ministry of Education, the Ministry of Economy and Transport plays a considerable role in functioning the Hungarian national system of innovation, where a separate Innovation Department operates. The Department provides the stimulation of network development programmes, which leads to new forms of cooperation between the economy and the knowledge-innovation bases (industrial parks, university scientific technological clusters and incubation centres). The Department emphasizes the establishment of favourable environment for laws, budget and finance which facilitates the creation and development of innovative enterprises, the encouragement of knowledge and technology transfer, the participation of venture capital investments in financing innovation, the development of networks to promote the distribution and utilization of R&D results, and the development of bridging institutions. The Department helps the preparation of Hungarian enterprises for the participation in the EU 6th Framework Programme.

The Innovation Department handles those tenders that aim to help establish innovation bridging institutions, regional centres of knowledge and their networks, the development of cooperation among universities and other centres of knowledge along with enterprises, the industrial utilization of the university R&D and innovation results, and the integration of university education and industry.

Furthermore, the Department prepares reports, forecasts and impact studies about the main trends of the national and international research, development and innovation process; it also maintains communication with the networks of Science and Technology Attachés. Finally, its major duty in cooperation with the Hungarian Patent Office is to work out patent utilization projects supporting small and medium enterprises (SMEs).

The Hungarian Enterprise Development Foundation, established in 1990, operates in close cooperation with the Ministry of Economy and Transport with the aim of supporting the establishment of SMEs. The Foundation is an independent, autonomous organization. Its 4.2 billion HUF capital is supplied by the Government of the Hungarian Republic, the major banks and representations of interest.

The pillar of the Foundation's support programmes is the network of local entrepreneur centres. These centres function as independent foundations and offer to the SMEs services like the following:

- (i) consulting and providing business information by experts, using professional databases,
- (ii) organizing specialized training programmes,
- (iii) in the frame of the "Microcredit Programme", providing SMEs with financing sources,
- (iv) providing SMEs with the opportunity to rent offices.

The Hungarian Investment and Trade Development Public Utility Company (ITDH), founded in 1993, is a support institution to the Ministry of the Economy and the Ministry of Foreign Affairs. ITDH is to liaise between Hungarian entrepreneurs, institutions of central and regional administration and foreign partners. Its formal and informal contacts with state administration and participants in the market that have developed during the past few years ensure a prominent position among companies of similar profile. ITDH is a non-profit organization having extensive offices both in Hungary and abroad. Its activity focuses on the enhancement of investment and trade development and, particularly, enhancement of the import of capital. To achieve this, ITDH provides information and consulting services to identify business opportunities for foreign investors, to provide information on the Hungarian legal, taxation and financial environment, to prepare company databases, etc.

Regional Development Holding Co. Ltd. (RDH), a company in exclusive long-term state ownership, participates in the implementation of the Government's developmental policy, in particular, regional development policy, working through its affiliates and country-wide network. It targets its activities at Hungarian SMEs and local governments, small area associations, development councils and agencies, and regional economy development organizations. The objective of RDH is to promote the development of enterprises and regions, the increase of employment and the strengthening of inter-company and cross-border economic relationships.

In 2002 the RDH elaborated a new medium-term strategy in view of the guidelines set forth in Government Resolution 2305/2002 (X.10.) concerning the current tasks of regional development. The activity of RDH focuses on the provision of services to SMEs lacking funds but having a large potential for growth and to municipalities and municipality associations elaborating and implementing regional development programs. RDH helps the development of SMEs by placing venture and project capital (up to an amount of one million euros) on a market basis, thereby filling a gap in the market, and by complementary loans and subordinated loan capital funding carried out in co-operation with the Hungarian Development Bank and other financial institutions.

RDH plans to raise regional and sector-specific venture capital funds by involving private capital and EU funds in such a way that the share RDH holds in these funds should ultimately be no more than one-third of the primary capital.

A high-priority task for RDH is to facilitate the economic development of regions and small areas in Hungary and to strengthen regional economic structures through its consultation, programming and fund intermediation activities carried out in a network-based institutional system in Hungary's regional policy.

The major activities of RDH are as follows:

- (i) helping to provide venture capital and creating three regional venture capital funds,
- (ii) business consultation services to the SMEs, local governments and local government associations,
- (iii) management of calls for proposal by the Government, including customer service, decision preparation and inspection tasks connected with the management of calls for proposal, and
- (iv) project registration, training.

The Hungarian Development Bank Ltd. (HDB) was founded in 1991. It is a specialized credit institution, 100% of shares of which are owned by the Hungarian State. The ownership rights are exercised by the Minister of Economy and Transport. The major tasks of HDB are as follows:

- (i) involvement in the implementation of long-term development programmes of the Government,
- (ii) financing large-scale projects in the fields of infrastructure development and environmental protection,
- (iii) special emphasis on strengthening the Hungarian SME sector,
- (iv) financing regional development programmes in order to reduce regional imbalances,
- (v) channelling special purpose funds into the Hungarian economy and
- (vi) promotion of the EU accession procedure.

To turn to the Government's S&T policy, in the 2002 Government programme S&T was defined as an important tool to promote economic development. The Government defines four priority as:

- (i) an innovation-conducive legal framework,
- (ii) making Hungary an attractive R&D site,

- (iii) enhancing the protection of intellectual property and
- (iv) increasing the sources for innovation of SMEs.

The National Development Plan (NDP) places knowledge society and knowledge economy in the middle. The main strategic objectives of the NDP are in harmony with the future scenario of successfully establishing a knowledge-based society in Hungary, although sometimes only indirectly, due to the different time frames. The continuous improvement of the quality of life is to be ensured by an ecologically and economically sustainable, regionally balanced development that is based on the competitiveness of the knowledge-based economy.

All existing and planned R&D and innovation actions are organised in three large measures:

- (i) strategic and cooperative research and technology development projects,
- (ii) R&D resource and infrastructure development for the research institutions, development of human resources for innovation, and
- (iii) improving innovation skills, innovative networks and resources for companies.

Other promoting institutions

As the major administrative organizations with nation-wide authority the following may be worth mentioning.

The Hungarian Patent Office is an administrative authority in the field of intellectual property. The tasks and competence of the Office are governed by Act XXXIII of 1995. These tasks include the preparation of intellectual property legislation, official examinations and procedures in the field of industrial property, central information and documentation activities in the field of intellectual property, and the promotion of intellectual property activity by governmental measures.

Accuracy of the measurements is of high importance in supporting the innovative efforts. The central administrative organization responsible for this issue is the the National Office of Measures, the tasks of which are established by Act XLV of 1991 on legal metrology.

The Higher Education and Research Council is an advisory and decision preparatory body of the Minister of Education relating to the questions of education and scientific research. Act LXXX of 1993 provide legal base for its operation.

The Federation of Technical and Scientific Societies was established in 1948. Its aim is to coordinate the work of the forty-three societies in the federation. These organizations have more than one hundred thousand members altogether, mainly engineers, researchers, agrarians, financial experts, natural sciences experts, and economists.

The Hungarian Innovation Association is a professional organization in the center of activity to promote the economy through innovation. The member institutions operate in divisions: R&D Division, Innovation Infrastructure Division, Higher Education Division, Innovation Non-profit Division, and Enterprise Development Division. This association represents the interests of the member institutions as well as the interests of the innovation sector as a whole, and, not unimportantly, performs remarkable professional work in the fields of, for example, R&D and intellectual property protection. HIA participates in the preparation of legislation relating to

R&D and innovation, and expresses opinions in such questions. For its members, HIA provides wide range of services, such as legal and IP consultancy and information on domestic and international tenders.

The Hungarian Society for Quality is a social-scientific, non-profit organization with the fundamental goal of developing quality culture of the domestic economy and to achieve a level as quickly as possible, where deficient quality does not impede the competitiveness even in high-level markets.

INNOSTART National Business and Innovation Centre has started its business in 1994 on the initiative of the Hungarian Innovation Association as a foundation, on the model of Business and Innovation Centres (BICs), already present in the European Union for more than 15 years. INNOSTART as a public utility organization assumes a decisive role of dissemination of BIC methodology and know-how countrywide for improvement of business development and support system.

The Institute of International Technology (Institute) consists of two institutions: the non-profit Institute of International Technology and the NETI IT Consulting Ltd. (NETI Ltd.) as an independent legal entity. Nevertheless the Institute and the company make up one team. The differences lie in the type of the project each performs. Non-profit projects in the field of information technology are met by the Institute, while business projects are carried out by NETI Ltd.

The Hungarian Technology Transfer Centre is the core of a new Hungarian organization that is to be established on the model of the Steinbeis Stiftung für Wirtschaftsförderung (Foundation for the development of the economy) centred in Stuttgart, Germany. For the time being, the Centre is not an independent legal entity; it is operated by the Institute of International Technology.

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Book Review

A bírósági nemperes eljárások magyarázata
(Commentary of judicial non-contentious procedures)
Editors: J. Németh and D. Kiss, KJK Budapest, 2002. pp. 916

1. Overview

The publishing house satisfied an important demand by issuing „Commentary of Judicial Non-Contentious Procedures”.

Editors of the collected edition are Professor J. Németh, ex-president of the Court of Constitution and D. Kiss, attorney-at-law, associate professor at the Eötvös Loránd University.

The work comprises the following chapters:

- Payment order procedures (I.)
- Procedures in connection with death and disappearance (II)
- Procedures conducted along with judicial processes (citation for attempting an accord on preliminary showing, procedure for the retrospective exclusion of applicability of a measure pronounced to be unconstitutional on the basis of a constitutional complaint in certain cases) (III)
- Administrative procedures (IV)
- Judicial re-examination of decisions rendered in industrial property cases (V)
- Procedures in connection with disease cases (VI)
- Procedures in connection with family cases (VII)
- Procedures in connection with labor law cases (VIII)
- Procedures in connection with arbitral cases (IX)
- Procedures in connection with enforcement cases (X)
- Other judicial non-contentious procedures (XI)

2. Judicial re-examination of industrial property cases

Chapter V of the book (pp. 467-574) treats judicial re-examination of decisions rendered in industrial property cases.

The review of statutes on trademark procedures comprises a particularly narrowly elaborated, although most interesting, part, taking up almost two thirds of this chapter. Its author is Professor Alexander Vida, in-house counsel of Danubia Patent & Trademark Attorneys. The section dealing with statutes on patent procedures deserves special attention. Its author is Dr. Péter Csiky, head of the Law Department of the Hungarian Patent Office, and it expounds upon questions on re-examination of court decisions in patent cases.

Of particular merit is the chapter which emphasizes common and individual relations in industrial property procedures. So it is a common rule in all procedures that in industrial property cases the Hungarian Patent Office proceeds in the administrative phase – with some exceptions – by the general rules of the Administration Procedure Act. Another general feature is that re-

examination of the Office's decisions takes place by the rules of judicial non-contentious procedures.

It is a special feature that the legislator, when defining the special rules of procedures – with the exception of trademark cases and geographical indications – refers to the procedural rules of patent cases in all industrial property cases. Consequently, trademark procedures (and also procedures relating to geographical indications) are **different** from other industrial property procedures, for example:

- in the case of trademarks, there is no litigation regarding authorship, as trademarks have no authors;
- in case of trademarks, there is no negative declaratory procedure;
- in case of trademarks, a consent letter by the owner of the prior right removes the bar to the registration;
- in case of trademarks, the Hungarian Patent Office has to examine much more circumstances posing bars to the registration than in the cases of other kinds of industrial property.

Practically the parallel application of patent procedural rules are prescribed for utility models, industrial designs, and semiconductor circuit topography; for geographical indications, trademark rules should be applied.

The following give the grounds for the different procedural rules regarding patents and trademarks:

- to begin, trademarks are economic featured rights to distinguish goods and services and to serve sales promotion, while patents, utility models, industrial designs serve to promote technical, scientific development;
- secondly, in the case of trademarks, the protection period can be extended as many times as requested, so they may be protected for a hundred years; the protection period of patents expires 20 years, that of industrial designs 25 years after the application. Protection of integrated circuits has a duration of 10 years from the registration;
- thirdly, the trademark law – where personal rights of the creator of the mark are not allowed – can be related to the category of substantive law.

In the cases both of trademarks and patents, the explanations thereof follow the direct references to legal regulations.

3. Trademark procedures

A) Amendment procedures

Chapter V fully treats procedures conducted on the basis of a request for an amendment.

The court – upon such request – may alter the decisions of the Hungarian Patent Office, as well as decisions establishing discontinuance of procedures, decisions suspending procedures, and decisions serving as the basis for recording into the records of trademark applications or into the trademark registry on the basis of **Act No. XI of 1997** on the protection of trademarks and geographical indications (hereafter: TMA).

Significant merit on the review of trademark procedures is that legal requirements [such as those relating to observations, requests for amendment, justifications, competence and jurisdiction (Art. 79-88 of the TMA)] review several interesting cases and also apply historical analysis.

Of particular value is the review of the taking of evidence regarding court procedure in connection with **amendment of decisions refusing trademark protection.**

- It originates from the autonomy of national trademark law that taking of evidence, when the applicant proves that the protection of the identical mark was granted as a trademark in another state, does not govern the result generally (Supreme Court, No. Pkf. IV. 25022/1999).
- Refusal of trademark protection for „COLT” on hand arms is a good example of a mark lacking distinctive character (Supreme Court, No. Pkf. 23.821/1998).
- The successful request for amendment against the decision of the Hungarian Patent Office refusing trademark protection for „Yellow Pages” provided a good example for a mark acquiring distinctive character. The Metropolitan Court established that the petitioner proved that the goods and services bearing the mark had been used in Hungary for years, and thereby it gained distinctive character (Metropolitan Court, No. 3.Pk. 28.678/1999) though the mark could originally be considered as a generic name.
- Refusal of the mark „Oxford” provided a great example that a mark indicating solely the place of origin has no distinctive character (Supreme Court, Pkf. IV. 25.002/1999).
- An interesting case regarding the relative distinctive capability of trademarks involves the word mark „DOLLAR.” This mark would obviously be unsuitable for trademark protection – for lack of distinctive character – in the category of money and means of payment. The trademark application filed for car rental services was dismissed by the Hungarian Patent Office referring to lack of distinctive character, but the Metropolitan Court altered the decision and ordered the registration of the mark „DOLLAR” for car rental services (Metropolitan Court, No. 3Pk. 22.866/1999).
- In respect of relative grounds for refusal the Metropolitan Court pronounced the mark „LRH” eligible for protection for pastoral care services, stating that the mark can be pronounced phonetically by Hungarians as „ELERHA” (Metropolitan Court, No. 3.Pk. 25.403/1993).
- Another interesting decision was where the Metropolitan Court ordered the registration of the letter H of Hyundai for cars, despite the fact that Japanese Honda had already registered a distinctive H letter. The two differently designed letters „H” as trademarks are not confusingly similar as consumers pay particular attention when purchasing passenger cars (Metropolitan Court, No. 3Pk. 25.9636/1993).

B) Trademark Cancellation Procedures

Beside providing accurate reviews of the statutes governing trademark cancellation procedures, the commentary also mentions the special case of taking of evidence in trademark cancellation procedures.

- a) In a case involving the trademark PLAYBOY, filed for articles of clothing, the trademark owner referred to the fact that, during the previous five years, some advertisements had been published in French periodicals, some issues of which were subscribed to by Hungarian institutions and suppliers.
- b) In connection with such generally used products as articles of clothing this use could not qualify as regular and was not sufficient to introduce the trademark to Hungarian consumers and competitors. Consequently, the Supreme Court ordered the cancellation of the PLAYBOY mark for failure of use. (Supreme Court, Pk. IV. 22.601/1993.)
- c) In other cases the Supreme Court accepted the taking of evidence of use. The owner of the trademark „CORVINA” proved that, during the latter half of 1992, he manufactured and sold 50,000 packages of CORVINA cigarettes. According to the Supreme Court, the quantity was sufficient to cover the demand of the market. As failure of use could not be established, the request was refused (Supreme Court, Pkf. IV. 23.903/1998).
- d) The mark „CHATEAU LAFITE ROTSCCHILD” has been registered. This mark indicates one of the most significant vineyards in Bordeaux, France. In the cancellation procedure initiated against the trademark owner, the Metropolitan Court accepted this fact and stated that the use of the mark in the Book of Wines qualifies as quasi-continuous use (Kossuth Publishing House, Budapest 1996; Metropolitan Court 3Pk. 27.369/1999).

The review furthermore contains – also with interesting examples – the repeal of decisions of the Hungarian Patent Office. By the terms of Art. 91 (2) of the TMA it takes place if

- a person who should have been disqualified took part in taking the decision;
- in the procedure against the Hungarian Patent Office, a significant procedural infraction occurred that cannot be redressed in the courts;
- in the case of refusal of the trademark application for not corresponding to the formal requirements, the applicant submits the missing papers together with the request for amendment or upon invitation of the court.

In such cases the Metropolitan Court may order the Hungarian Patent Office to start a new procedure.

On the whole it can be stated that the part treating trademark procedures not only provides accurate information but also can be considered as one of the highlights of the commentary.

4. Patent procedures

The section dealing with patent law discusses important questions of Act No. XXXIII of 1995 on the Protection of Inventions by Patent (hereafter: PA), adjusting to the provisions of the Act.

Decisions subject to review by the court [Art. 46 (4) of the PA]:

- prescriptions on the applicant [Art. 85 (2) and (3) of the PA]
- initiation of a non-contentious court procedure [Art. 85 (4) of the PA]
- competence and jurisdiction of the Metropolitan Court [Art. 86 (1) and (2) of the PA]

- application of the general rules of judicial non-contentious procedures and of the rules of the Code of Civil Procedure (Art. 88 of the PA)
- the parties and other parties of the procedure (Art. 92 of the PA)
- situation in the procedure of the joint patentee (Art. 92 of the PA)
- representation, costs of proceedings, omission, justification [Art. 94 (1) of the PA, Art. 95 (1) of the PA, Art. 96 of the PA, Art. 97 of the PA]
- hearing and taking of evidence (Art. 98 of the PA)
- decisions and service, appeal, request for review (Art. 99-100 of the PA).

The review of court practice turned out to be a valuable part also in respect of **patent procedures** as it provides the most information for professionals, namely, in connection with

- a) refusal of patent protection,
- b) invalidation of protection, and
- c) repeal of the decision of the Hungarian Patent Office.

ad a) In cases for review of the decision refusing the patent application, in certain cases the applicant should prove that the solution applied for is appropriate for patent protection. Therefore, the conditions of the functional accomplishment should be demonstrated by the applicant. This can be accomplished by showing that the relevant patent was operational at the time of the application, or that the solution is workable, contrary to the theoretic objections.

In a concrete case the applicant could not prove such facts and also stated that there were no calculations in connection with a particularly sized machine. The applicant requested that the Supreme Court should order the production of a test piece. However, there is no such a possibility; the testing of the invention should take place before filing the patent application and not during the patent examination and the related court procedures (Supreme Court, No. Pkf. IV. 21.19601980).

ad b) The Supreme Court has taken an interesting decision in connection with lack of novelty with reference to a university textbook. In principle, the contents of the textbook may be known by anybody who attends the university lectures. In the absence of a preliminary announcement of reservation, knowing the contents of the textbook depended on chance. Namely, in this case it is not decisive that the contents of the textbook were made known by the lecturers, as the content was not available to everyone. Use of the textbook within a narrow circle does not provide basis to establish lack of novelty (No. Pkf. IV. 24.782/1999 of the Supreme Court).

ad c) Repeal of the decision of the Hungarian Patent Office will take place in all cases if a condition of the patentability was not examined by the Patent Office, or if it did not make a decision thereon. Accordingly, invalidation of the decision of the Hungarian Patent Office took place, for example in a revocation procedure relating to a partially identical prior patent application, in which the Patent Office has not yet conducted the examination procedure; and consecutively the court judged that further receipt of evidence and completion of the statement of facts are necessary (No. 3 Pk. 22.924/1999/8 of the Metropolitan Court).

To sum up: This commentary serves not only as a handbook in the university lectures but also can be used by lawyers and patent attorneys. As far as the review of industrial property

procedures through more than hundred pages is concerned, it must be emphasized that it includes not only statutes, legal conditions and criteria of procedures but also an introduction to the non-judicial court practice, and in particular of the actual court practice in amendment, patent revocation and trademark cancellation cases.

Dr. Levente Tattay, attorney at law, associate professor,
Pázmány Péter Catholic University

Book review

Levente Tattay: A szellemi alkotások és a modern piacgazdaság (Intellectual Products and Modern Market Economy) Budapest, Pázmány Péter University, Faculty of Law, 2002, 283 pages

Tattay, lecturer of the Pázmány Péter Catholic University, is a productive author. One year after publication of his handbook “Law of Intellectual Creations,” he published a further, original work that serves to complement his previous handbook for seniors.

Purpose of the handbook is to disclose economic aspects of intellectual products. Its leading idea is that intellectual products are means of competition (a competition tool), by providing long-lasting market advantage for the proprietors as legal monopolies. This start is in my view only partly valid, as a significant part of intellectual products never becomes competition tool, while those which indeed do fulfill this function do so visibly. If we think of this, we can agree with him after all.

The work comprises four main parts:

- regulation on intellectual products (I)
- conception and kinds of intellectual products (II)
- intellectual products and modern market economy (III)
- special fields of utilization of intellectual products (IV).

Respecting the author’s objective, I wish to treat here the market economy issues the author addresses in Part III.

With respect to the economic significance of intellectual products (Chapter 1) the author – in my opinion commendably – examines first the nature as a tool of competition of intellectual products. He has a relatively easy task with trademarks – particularly as this is the field he is the most familiar with – as almost everyone is aware of the role of well-known trademarks in economic competition. The situation is different with respect to authors’ works. In this respect – as he properly says – the nature of the competition tool is more difficult to show. According to his opinion the competitive advantage of authors’ works is often provided by their embodiment as goods. He refers to best-selling books, films of famous authors, CDs and audio cassettes of well-known music groups, which provide significant market share (for the user and indirectly the author of the work).

Within the framework of the study of economic significance of intellectual products, he also treats their direct price increasing effect. He properly mentions that in the case of products not bearing trademarks (so-called neutral products) one can count on a decreased price: it is known by advertising and marketing professionals that such products can be sold at price lower than the usual market price. The counter-example is provided by products of world-famous companies: prices of the Paloma Picasso perfumery, the Dunhill cigar, the Alain Delon shirts are much higher than those of identical or similar “neutral” products.

On the subject of contribution of intellectual products (Chapter 2), privatization in Hungary provided particularly remarkable cases: the Tungsram trademark was estimated at 50 million dollars, the Tomi trademark family (Tomi, Tomi Szuper, Tomi Sztár, Tomi Mat etc.) at HUF 75 million, the registered or unregistered confectionery trademarks (Orient Mokka, Africana, Café do Brasil) and some signs – Favorit, Amigo, Ali Baba etc. – altogether at DEM 2 million.

On the subject of values of intellectual products (Chapter 3) wholesome is the representation of the foreign (EU, Russia, Poland) experience and treatment of various instances of estimation: a) estimation of company value (e.g. the company Meinl estimated the share of intellectual products at 40 p.c.); estimation of know-how value (for example, on the purchase of Tiszamenti Vegyiművek the “Ballestra know-how” was estimated at HUF 44 million); c) estimation of trademark value (for example, value of Magyar Nemzet (newspaper’s title) is HUF 50 million, Videoton (television) HUF 280 million, Herz (salami) HUF 180 million, Egri Bikavér (wine) HUF 250 million etc.); and lastly treatment of types of used methods: calculation of inventory value, book value, avails value etc.

Also interesting is “merchandising” (Chapter 8) where reference is made to Hungarian court practice: decisions in the cases “Csinn-bumm Cirkusz” (radio program), “Dörmögő Dömötör” (story-book), “Chagall”, “Vízipók-csodapók” (story books). He is right in saying that abroad in the market economy these competition tools are frequent, and even some cases date back to the years before the change or regime.

Part IV of the handbook regarding special fields of use of intellectual products raises several exciting questions: within the domain of copyright, the use of software, databases, and the Internet; within the domain of scientific issues, biological and genetic engineering inventions; within the domain of signs (here he uses the notion of sign in the broad sense of the word and differently from the competition law he means by this not only unregistered trademarks) the issue of domain names is what I find interesting, where he mentions, among others, the decisions made by Hungarian courts in the cases Szivárvány (department store) and Rolls Royce, in which the applicants and users of the domain names were condemned because of trademark infringement.

The memorandum of Tattay exceeds the usual aims of syllabuses: by briefly representing Hungarian and foreign solutions he points out relationships between law and economy through the example of intellectual products, and by this the reader gets an insight from the “ivory tower” of civil law into the “real world”.

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Book review

Gy. Bándi and others: Emlékkönyv Boytha Györgyné tiszteletére (Memorial Volume for Mrs. Boytha)

Pázmány Péter Catholic University, Budapest, 2002, 167 pages

Mrs. Boytha's activities have been essential to the development of Hungarian competition law in the past fifteen years. Such activities include the preparation of the Competition Act which was in effect before the change of regime; the development of the Competition Act adopted in 1990; and the establishment and operation of the court-like Competition Council. Presently, she continues her educational activities in the Pázmány Péter Catholic University, and has also produced a handbook that has been published several times and also a number of studies and commentaries.

It is by no accident that Mrs. Boytha is highly respected. Indeed, M. Nagy, Deputy Chairman at her former employer, the Economic Competition Office and a colleague for over 20 years, wrote „Congratulations” preceding the collection of articles entitled by one of the authors with good reason „Liber amicorum”. This collection permits insight into the dramatically hard beginning, but later more balanced development, of honorand's profession.

Herein I wish to mention a few related articles from the rich volume of studies that deal with economics and competition law. Most of the authors are university professors.

In his study „Movement of goods, competition, protection of environment,” Gy. Bándi reports on the permanent conflict between economics and environmental care and legal norms being aimed at elimination of these conflicts in the European Union. He includes in his discussion decisions of the European Parliament and of the Commission, some judgments of the Court of Justice, a draft of the related EU Directive. His position is uncontested when he agrees with the view of L. Krämer, who thinks „the necessity of protection of the environment and the need of free movement of goods are independent and to judge which goal should be considered primary is possible only by case-by-case evaluations”. After an overview of the European law, he concludes with regard to the rule provided by Sec. 11 (1) of the Competition Act of 1996 that the Hungarian law may designate neither the economic qualifications of environment value nor the cartel agreements that violate competition rules, provided they protect the environment.

In his study „Copyright and competition law” Gy. Boytha, following the presentation of solutions of the German, French and English laws, reports that the succeeding Hungarian copyright law has provided the protection of titles (protection of titles of works) for eight decades, and until 1984 copyright requirements were closely associated with competition law requirements. In his view, although the present Competition Act does not specify protection of titles, the possibility of granting competition law protection to the title of a work – parallel to copyright protection – theoretically exists on the basis of the prohibition of confusing similarity. *In*

addition, as he says, it is also conceivable that, over time, the title, which has become free from copyright law, is connected by consumers with another work or product incorporating it, then protection of the title can also be grounded in competition law. In conclusion he forcefully contests compulsory allowance of use of copyrighted works. In his view such a solution would overturn the original competition law motivation of the copyright law, the freedom of competition to the contractual licensing of works, and the function of competition of users depending also on practising of copyrights.

In his writing „Prohibition of competition charged upon the employee, in accordance with the prior Hungarian law” J. Radnay begins by reviewing the Labour Code before 1992 (this is designated by him as prior Hungarian law). Afterwards, he reviews the actual regulation. The latter review does not specify prohibition of competition charged upon the employee, and it refers to the protection of economic interests of the employer in general terms only. At the same time he reports with sympathy on the court practice providing a denotative definition of the prohibition of competition charged upon the employee: limits of the prohibition of competition are drawn at the scope of activity of the employer recorded in the trade register, irrespective of that at the given time the employer practises perhaps only some of the activities as recorded by the Commercial Court. For a limited period after ceasing of the employment the prohibition of competition charged upon the employer can be effected with a special agreement – in this respect he also reviews contracting practice as well as that of the court.

The author of the most voluminous study is T. Tóth, whose writing bears the title „Application of community competition law before courts of the member states – a reformation to which attention should be paid already by Hungarian judges.” The study reviews the application of EC competition law by member states and procedural reforms affecting the courts. Following this – with regard to Hungary’s approaching accession to the EU – he makes proposals for correction of the present Hungarian regulation, out of which I cite herewith only a few:

- Sec. 3 (2) of the Civil Code: amendment of the rule of restriction to claim of the judge in competition law cases
- extension of the possibility to suspend the lawsuit in such cases when the Commission or competition authority or another member state or its court carries on proceedings
- regulation of preliminary court proceeding compatible with EU regulation
- creation of procedural law limits relating to *amicus curiae* statements of the Committee of the EU or of the national Competition Authority
- and not in the last place: professional training of judges handling competition law cases.

Among authors of the reviewed Liber amicorum volume names of such reputed personalities figure as P. Erdő, who meanwhile has been raised to Hungarian archbishop, with his study on canon law, G. Bánrévy with his study on international civil law, or L. Gáspárdy with his study on judicial process, and Cs. Varga with his study on philosophy of law.

Finally it is welcome that some young authors were given place in the volume. It renders this work elegant that the studies of three Hungarian authors were published in foreign language: Studies of Erdő and Gáspárdy in German, study of Tamás in English. It is a pity that a table of contents in foreign language is missing.

Finally it is worthy of note that a Liber amicorum is a rare genre in this country. Honorand may be delighted that her colleagues honour her in her lifetime, and not only later as it happened to Nizsalovszky, Novotni and other prominent civil lawyers.

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